

The Medical University  
of  
South Carolina  
Charleston, South Carolina

# Comprehensive Annual Financial Report

Funds of the State of South Carolina  
Higher Education Funds

June 30, 2001

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## Introductory Section

## **PRESIDENT'S LETTER**

MUSC LOGO

Office of the President  
171 Ashley Avenue  
P.O. Box 250001  
Charleston, SC 29425

Dear MUSC Family and Friends:

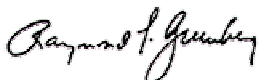
This past year marked a significant turning point for the Medical University of South Carolina. For the first time in several years, a positive financial margin was achieved in both the academic and hospital operations. It is far too early to declare victory over the fiscal challenges, especially as the state and national economies are facing new threats. Nevertheless, this is an opportunity for me to thank the many individuals who have worked so hard to restore the Medical University to financial health.

One of the most reassuring aspects of this turnaround is that it occurred without loss of the progress being made on this campus. Our academic programs continue to excel, with many maintaining high national rankings. A new Presidential Scholars program was created with the goal of promoting educational opportunities across traditional disciplinary programs. We set a new record in research funding, with the highest annual total of grant and contract support ever received by a university in the state of South Carolina. We created a new Center for Advanced Imaging Research, building on the internationally recognized work of Dr. Mark George and his colleagues. We also created a new Neurosciences Institute in order to foster interdisciplinary research and clinical care. Private philanthropy to the Medical University set a new annual record at \$25 million, which corresponds to an increase of more than 20% over the prior year.

The Children's Hospital was recognized as one of the top 10 in the country – the only hospital in the Southeast to be so designated. The Medical Center was a repeat winner of the Consumer's Choice Award, indicating the continuing high public regard for this institution. We were also ranked as a national leader in stroke care. The Healthy South Carolina Initiative, through which health promotion and disease prevention services were offered in the community, also was recognized with a statewide award. The new Hospital Authority was implemented successfully and several cooperative efforts were established with local health care providers.

We also succeeded in attracting outstanding individuals to key leadership positions. Dr. Jerry Reves was recruited from Duke University to become the Dean of the College of Medicine and Vice President for Medical Affairs. A national search for the Vice President of Finance and Administration led to the selection of Dr. John Sutusky. As we welcome these colleagues into their leadership roles, we rededicate ourselves to building an even stronger future for the Medical University and for the people that we serve.

With best wishes,



Raymond S. Greenberg, MD, Ph.D.  
President

## **TRANSMITTAL LETTER**

Office of the Vice President for  
Finance and Administration  
171 Ashley Avenue  
P.O. Box 250003  
Charleston, SC 29425  
telephone (843) 792-5050

November 30, 2001

President Raymond Greenberg, MD, Ph.D.  
Members of the Board of Trustees  
The Medical University of South Carolina  
Charleston, South Carolina

We are pleased to present the Comprehensive Annual Financial Report for The Medical University of South Carolina (the University) for the fiscal year ended June 30, 2001. The report of the University's external auditors, Rogers & Laban, PA, CPA, appears in the Financial Section and expresses an unqualified opinion on the University's financial statements.

This Comprehensive Annual Financial Report includes the audited financial statements for the year ended June 30, 2001, and other information about the University. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the University's financial position, changes in fund balances and results of operations of the various funds and component units of The Medical University of South Carolina. Disclosures have been included to enable the users of this report to gain an understanding of The Medical University of South Carolina's activities.

The Comprehensive Annual Financial Report is presented in three sections:

- The Introductory Section, which is unaudited, includes the President's message, the transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting awarded for the year ended June 30, 2000, listings of the Board of Trustees and principal University officials, and an organization chart. This section is intended to acquaint the reader with the organization of the University and to provide an overview of the University's financial activities and the significant factors that influence current and future achievements.
- The Financial Section presents the basic financial statements and the report of the independent auditors. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America for public colleges and universities as defined by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.
- The Statistical Section, which is unaudited, includes selected financial, non-financial, and demographic information generally presented on a multi-year basis. This information is intended to present a broad overview of trends in the financial activities of the University.

The Medical University of South Carolina is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. The University is included in the statewide single audit performed by the Office of the State Auditor of the State of South Carolina. Information related to this single audit is included in a separately issued statewide single audit report.

The Medical University of South Carolina is a part of the primary government of the State of South Carolina and its funds are included in the State's Comprehensive Annual Financial Report. The University is governed by a fourteen-member Board of Trustees consisting of the Governor or his designee (ex officio), twelve members elected by the General Assembly, and one member appointed by the Governor. As determined by the Board, the University's purpose is to preserve and optimize human life for the citizens of South Carolina and the nation through education of health care professionals and biomedical scientists, research in the health sciences, and provision of comprehensive health care.

The financial reporting entity includes all the funds of the primary government, The Medical University of South Carolina, and the University's five component units: the Medical University Hospital Authority, University Medical Associates, Medical University Facilities Corporation, the Pharmaceutical Education and Development Foundation, and the MUSC Foundation for Research Development. The financial statements of these component units are reported in discrete columns in the University's basic financial statements and are included in the "primary entity" totals. The Health Sciences Foundation (HSF) is considered a related party rather than a component unit and its summarized financial information can be found in the notes to the financial statements. Further information on the reporting entity is contained in Note I in the notes to the financial statements.

### **Economic Condition and Outlook**

The Medical University of South Carolina, located in Charleston, South Carolina, was created by an act of the General Assembly in 1824 as the "Medical College of South Carolina". Historically, it is recognized as the first medical college in the South. Enrollment for the fiscal year 2001 fall semester (fall, 2000) totaled 2,357 students. As of June, 2001, the University, with approximately 4,200 employees, when combined with the Authority is one of the largest employers in the State system and the largest employer in the Charleston tri-county area.

Due to a strong economy in recent years and the high priority given to education in South Carolina, students have benefited from the state's scholarship programs and the University has benefited from state research grants and other program support. However, as a result of state revenue shortfalls during fiscal year 2001, a mid-year one percent budget cut was imposed on all state agencies, and the state was forced to use a portion of the Reserve Fund balance to balance the General Fund. In the fiscal year 2002 Appropriation Act, Higher Education was spared the budget reductions imposed on other state agencies. However, because the state economy mirrors the troubles of the national economy, there is serious concern over the projected revenue shortfalls for South Carolina for fiscal years 2002 and 2003 and the potential negative impact of additional budget cuts for higher education. A positive note is that during fiscal year 2002, the recently enacted South Carolina lottery is scheduled to be put into place and the proceeds are dedicated to education.

### **Major Initiatives**

#### **Fiscal Year 2001**

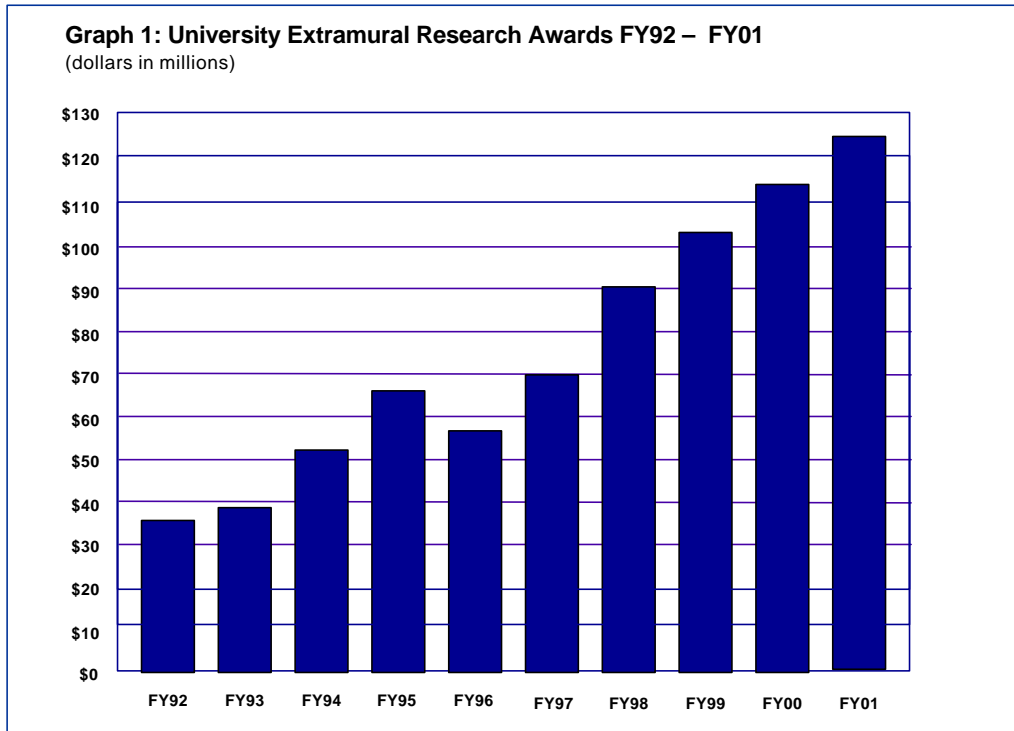
The Medical University of South Carolina began the 2000-2001 year with possibly the largest single change in its 176-year history. On July 1, 2000, the Medical Center division of the University began operating as the Medical University Hospital Authority, a separate state agency, in accordance with legislation passed by the General Assembly the previous year. Due to the efforts of both University and Authority personnel, a smooth transition was effected with uninterrupted delivery of high quality patient care. The Authority, which had experienced significant operating losses for the past three years as the Medical Center, was able to show a positive bottom line for fiscal year 2001, due in part to greater flexibility in implementing efficiencies and reducing expenses.

Strong recruitment in upper management continues to play an important role in the University's efforts to meet its goal of excellence in all aspects of its mission. Dr. John C. Sutusky was selected as the Vice President for Finance and Administration. Dr. Sutusky has served at the University for several years as the Director of Planning. Dr. Jerry Reves, an MUSC graduate, was selected as Vice President for Medical Affairs and Dean of the College of Medicine. Dr. Reves succeeds R. Layton McCurdy, M.D., who retired June 30, 2001, after more than 10 years of leadership in the University. Dr. Reves comes to MUSC from Duke University, where he served as professor and chairman of the Department of Anesthesiology since 1991. The Health Sciences Foundation named Mr. Thomas Anderson as Chief Executive Officer, replacing Mr. William M. Matthew, who headed HSF for many years.

A new program for students, the Interdisciplinary Presidential Scholars Program, was launched at the close of the fiscal year. The extra-curricular year-long experience will bring an interdisciplinary mix of students together to study complex social, political, and human issues of broad interest to healthcare professionals.

In fiscal year 2001, extramural research funding at The Medical University of South Carolina surpassed previous records with awards of more than \$124 million, a 9.1% increase over fiscal year 2000. The steady growth in extramural funding over the past 10 years is shown in Graph I. This growth continues to lead research funding for state educational institutions in South Carolina. Included in this research funding increase for fiscal year 2001 are two prestigious multi-year awards:

- \* An \$11 million grant from the National Institutes of Health (NIH) for the study of drug and alcohol abuse prevention.
- \* A \$10 million grant from the Agency on Healthcare Research and Quality to study methods for eliminating health disparities.



Other significant achievements at MUSC in fiscal year 2001 include:

- \* Groundbreaking for the Children's Research Institute which will provide much needed space for the growing research program.
- \* Establishment of three new Centers of Excellence: the Center for Advanced Imaging Research, the Neuroscience Institute, and the Center for Aging. The establishment of the Centers will coordinate research and academic actions in each of these areas.
- \* Approval of a new Ph.D. program in Nursing. This program is essential for training new faculty to address the critical nursing shortage.
- \* Joint establishment by MUSC, the College of Charleston, and the Citadel of the Lowcountry Graduate Center, for the purpose of making more graduate education opportunities available to citizens of the Lowcountry.
- \* Set annual record of \$25 million in private support.

Fiscal year 2001 marked the first year of operation for the Medical University Hospital Authority. The Authority had many notable achievements during its first year. The Medical University Hospital Authority:

- \* was rated among the top 100 hospitals nationally for stroke patient care;
- \* received Vanguard Award from the South Carolina Hospital Association for the Healthy South Carolina Initiative;
- \* was recognized as a Consumer's Choice by a National Research Corporation local survey.
- \* performed the first living donor liver transplant in South Carolina.

The Children's Hospital was recognized in the top 10 nationally by *Child* magazine.

The Authority continued to provide leadership in the area of healthcare by establishing a Women's Health Center and by working cooperatively with another local provider to implement a new shared PET scanning center.

## Future Plans

The University has also established a number of goals and priorities for fiscal year 2002, including:

- \* beginning construction on the Children's Research Institute;
- \* expanding the Hollings Cancer Center;

- \* modernizing laboratories for sensory neuroscience research;
- \* recruiting for several positions, including Dean for the College of Nursing, Associate Provost for Research, Chief Financial Officer, Affirmative Action Officer, Chief Information Officer and several department chairs;
- \* increasing research funding to a new record \$130 million;
- \* setting a record of \$30 million raised in private support;
- \* collaborating with other Charleston Universities to implement the Lowcountry Graduate Center;
- \* increasing collaboration with other South Carolina research Universities, particularly in the areas of biotechnology, tissue engineering and cardiovascular research; and
- \* completing an undated University Strategic Plan.

## **Financial Information**

### **Financial Controls**

University management is responsible for establishing and maintaining an effective internal control system designed to provide reasonable assurance that assets are safeguarded and that reliable accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. To meet these objectives management:

- \* Established policies and procedures to safeguard assets and to ensure the reliability of the accounting data and compliance with state and federal laws and regulations.
- \* Established an internal auditing department which reports directly to the Board of Trustees.
- \* Requires the preparation of an annual operating budget for approval by the Board of Trustees, and the monitoring of actual revenues and expenditures against the budget.
- \* Budgets for major capital expenditures through an annual plan called the "Annual Permanent Improvement Program", which is submitted to the State. Budgetary financial controls serve to ensure compliance with legal provisions included in the annual appropriations budget and to ensure that departmental expenditures do not exceed available resources.

As a recipient of federal financial awards, the University is included in the statewide single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget (OMB) Circular A-133. The University has internal controls in place to ensure compliance with applicable laws and regulations related to its federal financial awards. This internal control system is evaluated periodically by management and the internal audit staff.

Two of the University's component units, the Medical University Hospital Authority and Medical University Facilities Corporation, record their financial transactions within the University's financial system. Financial controls are studied and evaluated by the University's external auditors. The other component units, University Medical Associates, the MUSC Foundation for Research Development, and the Pharmaceutical Education and Development Foundation, maintain separate accrual basis financial accounting systems. The external auditors of these organizations study and evaluate financial controls during their annual audits.

### **General University Functions**

The day to day financial activity of the University is recorded in the current funds which are divided into two subfunds: unrestricted and restricted. Current funds are considered unrestricted unless restrictions imposed by the donor or other external agency are so specific that they substantially reduce the University's flexibility in their use. Within these funds, separate accountability is maintained for the University, the South Carolina Area Health Education Consortium and auxiliary enterprise operations.

The following discussions provide additional information on the University's current funds revenues and expenditures for the fiscal year ended June 30, 2001.

### **Revenues**

The University's daily operations for fiscal year 2001 were funded primarily from State appropriations. This accounts for 38.6 percent of the total fiscal year 2001 current funds revenues of \$325.3 million, which is in line with the prior year's percentage for the University. Additional detail on current funds revenue is shown in table form in Schedule I.

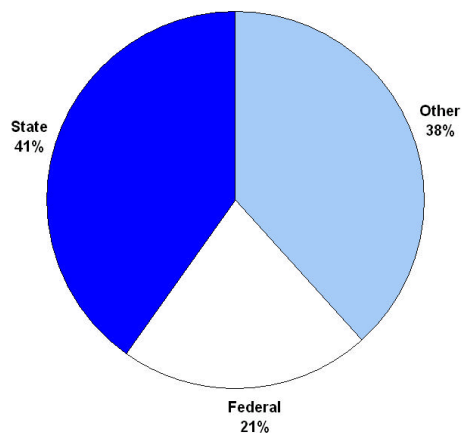


**Schedule 1: Current Funds Revenues By Source FY2000-01**  
(expressed in thousands)

	FY00-01		Increase/(Decrease) over 2000	
	Amount	Percent of FY00-01 Total	Amount	Percent
<b>State</b>				
State Appropriations	\$ 125,461	38.6%	\$ 6,213	5.2%
State grants and contracts	5,721	1.8%	(609)	-9.6%
<b>Total State</b>	<b>131,182</b>	<b>40.4%</b>	<b>5,604</b>	<b>4.5%</b>
<b>Federal</b>				
Federal grants & contracts	69,467	21.4%	11,676	20.2%
<b>Total Federal</b>	<b>69,467</b>	<b>21.4%</b>	<b>11,676</b>	<b>20.2%</b>
<b>Other</b>				
Nongovernmental grants & contracts	17,686	5.4%	786	4.7%
Student tuition & fees	16,389	5.0%	689	4.4%
Sales & services revenues	71,044	21.8%	58,492	466.0%
Gifts	9,750	3.0%	3,321	51.7%
Other	9,747	3.0%	(2,680)	-21.6%
<b>Total Other</b>	<b>124,616</b>	<b>38.2%</b>	<b>60,608</b>	<b>94.7%</b>
<b>Totals</b>	<b>\$ 325,265</b>	<b>100.0%</b>	<b>\$ 77,888</b>	<b>31.5%</b>

As shown in Graph 2, 41 percent of fiscal year 2001 current funds revenues came from state sources and 21 percent from federal sources. This compares to 51 percent from state and 23 percent from federal in the prior fiscal year. A significant portion of the remaining "other" revenue consists of sales of services to the Authority.

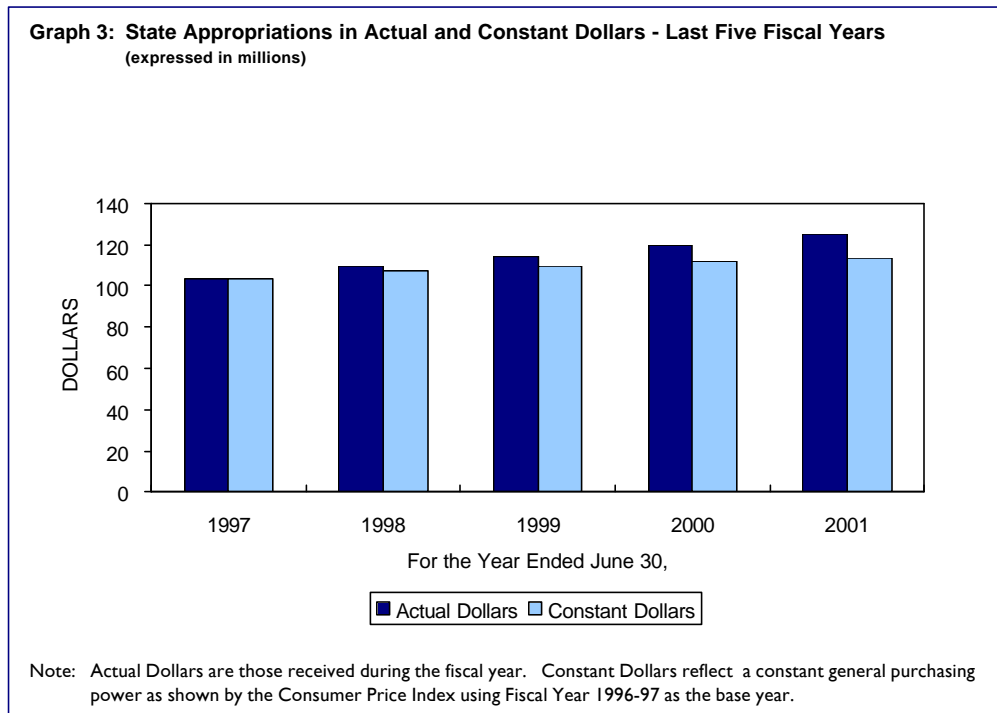
**Graph 2: Current Funds Revenues By Source FY2000-01**



Total \$325,265,400

### State Appropriations

State appropriations received by the University increased from \$103.9 million in fiscal year 1997, to \$125.5 million in fiscal year 2001. When adjusted for inflation, using fiscal year 1997 as the base year, State appropriations for fiscal year 2001 have a purchasing power of only \$113.5 million. Graph 3 shows the State appropriations received by the University over the past five years in both actual and constant dollars. The average annual increase in State appropriations in constant dollars from fiscal year 1997 to fiscal year 2001 is approximately 2 percent.



### Federal Grants and Contracts

Fiscal year 2001 revenues of \$69.5 million represent an increase of 20.2 percent over fiscal year 2000. The University projects continued growth in federal grants and contracts revenues for fiscal year 2002. Most of this revenue is restricted and can be spent only for the specific purpose designated by the grant or contract.

Of the \$69.5 million received in fiscal year 2001, approximately \$17 million represents indirect cost recoveries. These recoveries are amounts paid by the federal government to the University for overhead costs the University incurs administering the grant or contract. Indirect cost recoveries are unrestricted funds and can be spent for any eligible purpose.

### Nongovernmental Grants and Contracts

Payments from private drug companies for various studies are the main fiscal year 2001 sources of revenue in this category. Fiscal year 2001 revenue of \$17.7 million represents a 4.7 percent increase from the previous year and management expects continued growth in these areas in future years.

### Sales and Services

Sales and services revenue encompasses three categories: Authority services, educational activities and auxiliary enterprises. Sales of services to the Authority of approximately \$57.1 million include use of house staff, professional services of the University's College of Medicine, plant maintenance services, public safety, and administrative and financial services. Sales and services of educational activities include fees for programs in continuing professional medical education, payments for various University sponsored national and international conferences and seminars, and other similar revenues.

Auxiliary enterprises are self-supporting enterprises within the University which primarily provide facilities and services for students, faculty and staff. The University's two main auxiliary enterprises are Parking Management and Vending Machines. Net income from Vending Machines is unrestricted. Net income from Parking Management is restricted to debt service for (1) the parking facility revenue bonds and (2) part of the Harborview Office Tower certificates of participation.

### Student Tuition and Fees

In addition to tuition, students are charged fees to help offset the cost of health services, graduation, and other University provided services. Increases in the University's tuition and fees were implemented on a program by program basis in order to cover a portion of the increased educational costs unfunded by state appropriations. Student tuition payments up to the amount of the annual debt service requirement are pledged to servicing the debt on State Institution Bonds and are reported in the Retirement of Indebtedness Fund in fiscal year 2001, with the balance reported in the current funds. The current funds portion is reflected in Schedule 1.

### Other Revenues

In the University, other revenues for fiscal year 2001 totaled \$9.7 million and included:

1. Reimbursements received from the Veterans Administration (VA) Hospital for expenses of University medical residents who rotate to train at the VA;
2. Insurance recoveries from claims arising from losses in the business operations (such as building and contents);
3. Wellness Center membership dues;
4. Rent from buildings such as the Strom Thurmond Biomedical Research Center;
5. Investment and endowment income.

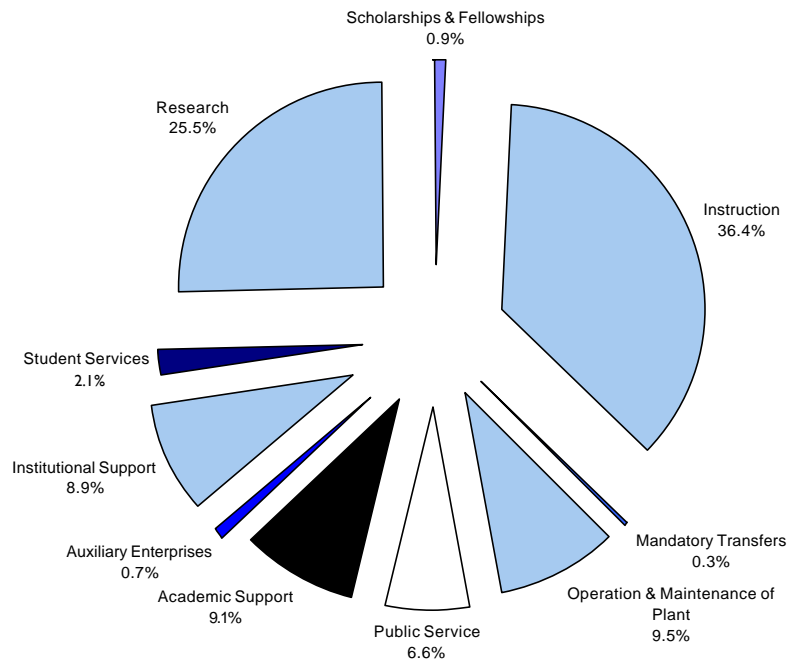
### Expenditures

As Schedule 2 shows, the University's total current funds expenditures and mandatory transfers decreased by 2.5 percent or \$8.4 million from fiscal year 2000. Ambulatory Care expenditures of \$40 million were recorded by the University as instructional expenditures in fiscal year 2000. These expenditures were recorded by the Authority in fiscal year 2001, resulting in the approximately 25% decrease in Instruction shown in Schedule 2. Graph 4 shows the University's current funds expenditures by function.

**Schedule 2: Expenditures and Transfers - Current Funds FY2000-01**  
(expressed in thousands)

	FY00-01		Increase/(Decrease) over 2000	
	Amount	Percentage of FY 00-01 Total	Amount	Percentage
<b>Expenditures and mandatory transfers</b>				
Instruction	\$119,695	36.4%	\$ (41,381)	-25.7%
Research	83,800	25.5%	8,777	11.7%
Public Service	21,849	6.6%	(1,141)	-5.0%
Academic Support	30,002	9.1%	2,762	10.1%
Student Services	6,673	2.1%	(513)	-7.1%
Institutional Support	29,298	8.9%	4,651	18.9%
Operation & Maintenance of Plant	31,382	9.5%	16,891	116.6%
Scholarships & Fellowships	2,865	0.9%	940	48.8%
Auxiliary Enterprises	2,463	0.7%	607	32.7%
Mandatory Transfers	843	0.3%	42	5.2%
Total expenditures and mandatory transfers	328,870	100%	(8,365)	-2.5%
<b>Other transfers and additions (deductions)</b>				
Nonmandatory Transfers	(7,992)		60,646	
Other	445		(917)	
Excess of restricted receipts (over) revenue	(9,698)		(9,814)	
Total other transfers and additions (deductions)	(17,245)		49,915	
Total expenditures and transfers	\$311,625		\$ 41,550	

**Graph 4: Current Funds Expenditures & Mandatory Transfers by Function**



### Fund Accounting

The University uses funds, functions and accounts to report on its financial statements following the model used in the industry audit guide, *Audits of Colleges and Universities* (AICPA). A brief explanation of each of the University's funds and functional expenditure categories follows.

#### Current Funds

Current funds include those financial resources which are expendable for daily operating purposes. Expenditures of the current funds are summarized in the following functional categories:

- Instruction - expenditures for formally organized and/or separately budgeted instructional activities.
- Research - expenditures for activities specifically organized to produce research, including research centers that are separately budgeted.
- Public Service - expenditures for activities which provide non-instructional services to individuals and groups outside the University.
- Academic Support - expenditures to provide direct support services for instruction and research; includes academic administration, library, and academic computing support.
- Student Services - expenditures for activities whose primary purpose is the enhancement of students' emotional and physical well-being and intellectual, cultural and social development outside the context of the formal instructional program.
- Institutional Support - expenditures for activities carried out to provide for both the day-to-day functioning and the long-range planning of the University. Institutional administration and administrative computing support represent a significant portion of expenditures in the Institutional Support category.
- Operation and Maintenance of Plant - expenditures for building maintenance, custodial services, utilities, landscape and grounds maintenance, and repairs and renovations activities.
- Scholarships and Fellowships - expenditures made in the form of outright grants to students selected by the University.

### Loan Funds

The loan funds account for resources received from the federal government and other donors which are available for loans to students. Expenditures include costs of loan collections, loan cancellations and administrative expenses under federal loan programs. To the extent that current funds are used to meet required provisions for grant matching, they are accounted for as mandatory transfers.

### Endowment and Similar Funds

The endowment funds group includes:

- Endowment funds which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity and only the income be expended.
- Quasi-endowment funds which are determined by the governing board, rather than by the donor or other external agency, to be retained and invested. Subject to any restrictions imposed by the donor, the principal as well as income may be used at the discretion of the governing board.

### Plant Funds

The plant funds group consists of the following subfunds:

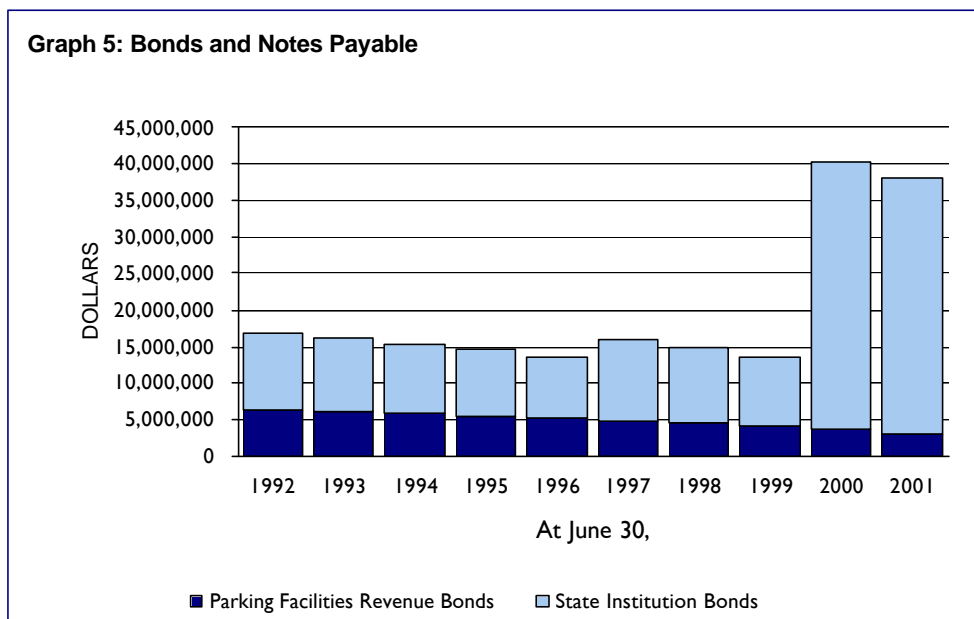
- Unexpended plant funds - includes unexpended resources (mainly proceeds from bond sales) available for plant construction and renovation projects, less any associated liabilities.
- Retirement of indebtedness - includes resources set aside for the payment of the University's obligations under debt agreements.
- Investment in plant includes the recorded cost of plant facilities, less any associated liabilities.

### Agency Funds

The agency funds account for assets held on behalf of others in the capacity of custodian or fiscal agent; consequently, transactions relating to agency funds are not included in the operating statements of the University. Included as agency funds are student organizations and other groups directly associated with the University.

### Debt Administration

The University acquires many capital assets by borrowing the money to purchase the asset and then paying off the debt in future years. Cash collections from student tuition and parking garage rents are some of the sources legally committed to paying off this debt. Graph 5 shows the amounts and types of bonds and notes of the University as of June 30 for each of the last ten years. In fiscal year 2000, the University issued State Institution Bonds to finance various new construction and renovation projects. For fiscal year 2002, the total principal and interest payment due on these bonds is \$4.3 million.



Following is a brief explanation of each type of long-term debt with examples of the assets acquired and the funding source the University expects to utilize to service the debt.

**State Institution Bonds (SIB)**

These bonds require the University to pledge revenue from student tuition for the repayment of this debt. If the University fails to pay this debt, the State would pay since these bonds are backed by the State's full faith, credit and taxing power. The proceeds from State Institution Bonds provided a portion of the funding for the Harper Student Center, the site for the Strom Thurmond Biomedical Research Facility, the Storm Eye Institute addition, and the Children's Research Institute. The University expects to pay off this debt with cash collected from student tuition. At June 30, 2001, SIB payable totaled \$35 million.

**Parking Facilities Revenue Bonds (PFRB)**

These bonds require the University to pledge revenues from the rental of parking spaces for the repayment of debt. Parking Garage II was built with proceeds from the sale of these bonds. The University expects to pay off this debt from the rental of parking spaces located in its parking garages and parking lots. At June 30, 2001, PFRB payable totaled \$3.2 million.

**Capital Leases**

In December, 1991, the Medical University Facilities Corporation issued \$19,740,000 in certificates of participation and used the proceeds to buy the Harborview Office Tower building and adjacent properties. The certificates are secured by rental payments received under the capital lease with the University. MUFC has certificates of participation payable at June 30, 2001, of approximately \$15 million.

MUFC issued lease revenue bonds in September, 1995, to fund a portion of the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. The bonds are secured by the rental payments received under the capital lease with the University. At June 30, 2001, lease revenue bonds payable totaled \$11.7 million. Also, the University has approximately \$400 thousand in capital leases payable at June 30, 2001, for various pieces of equipment.

**Sources Other Than Debt**

The University also acquires some of its capital assets from other sources such as:

1. Federal grants.  
Grants were received from the federal government for some of the construction costs of the Hollings Cancer Center and the Substance Abuse Center. The University is not obligated to repay these monies.
2. State Capital Improvement Bonds.  
The State issues these bonds and makes the proceeds available for the University to spend on approved projects. In prior fiscal years, the University spent capital improvement bond proceeds on a portion of the construction of the Harper Student Center. The University is not obligated to repay these funds to the State; therefore, the debt is not recorded on the University's financial statements. As of June 30, 2001, the University had \$18.2 million of State capital improvement bonds approved for several building renovations.
3. Private Gifts and Grants.  
Cash and other resources donated to the Health Sciences Foundation (HSF) are periodically transferred to the University. For example, the HSF raised funds on behalf of the University to help restore the St. Luke's Chapel and to complete the Harper Student Center.

**Risk Management**

The University and its component units pay insurance premiums to certain other State agencies and/or commercial insurers to cover risks that may occur in normal operations. Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits;
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injury;
3. Claims of covered employees for health and dental insurance benefits; and
4. Claims of covered public employees for long-term disability and group-life insurance benefits.

In addition, the University pays premiums to the State Insurance Reserve Fund which accumulates assets to cover the University's risk of loss from theft, damage or destruction of property, natural disasters, business interruptions, torts and medical malpractice claims.

The Insurance Reserve Fund purchases insurance coverage for a portion of these liabilities. The University also purchases a portion of its medical malpractice insurance coverage for health care providers through the State's insurance enterprise.

The University obtains employee fidelity bond insurance coverage through a commercial insurer for losses arising from theft or misappropriation. The University also obtains coverage through a commercial insurer for losses related to aircraft.

### **Cash Management**

State law requires all University cash be on deposit with the State Treasurer except petty cash funds approved by the State Auditor and certain trust funds associated with debt instruments (i.e., Certificates of Participation). The State Treasurer performs all cash management activities for balances on deposit in State bank accounts. The State Treasurer invests surplus cash balances primarily in obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain obligations of United States corporations. State law requires full collateralization of all State Treasurer bank balances.

### **Other Information**

State law requires an annual audit of the University by the State Auditor. For the past several years the State Auditor has contracted with independent certified public accounting firms to conduct the University's audit. Rogers & Laban, PA is the independent certified public accounting firm that performed the University's annual audit for years ended June 30, 1992 through 2001. The audit report on the University's basic financial statements is included in the Financial Section of this CAFR.

Additionally, the University's Internal Audit Department performs financial, compliance and performance audits at the direction of the Board of Trustees. These reports are shared with the Board of Trustees and appropriate University management. The State Auditor also audits the University in accordance with OMB Circular A-133 guidelines to meet the requirements of the Single Audit Act. Other periodic audits of the University are conducted by State procurement auditors and State sales tax auditors.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to The Medical University of South Carolina for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2000. This was the eighth consecutive year The Medical University of South Carolina has achieved this prestigious award (fiscal years ended 1993 through 2000). In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

This CAFR was produced through the dedicated efforts of the employees of the Office of the Vice President for Finance and Administration and the financial management staffs of the University's component units and related parties. Also, we would like to thank Rogers & Laban, PA, the University's independent auditors, for their assistance; the State Auditor's Office for their review; and the State Comptroller General's Office for their guidance. The Medical University Press and the office of Art Services and Digital Imaging provided valuable guidance on the design and production of this CAFR.

Sincerely,

***John C. Sutusky***

John C. Sutusky  
Vice President for Finance and Administration

***William E. Troublefield***

William E. Troublefield  
Interim Chief Financial Officer

***Susan B. Haskill***

Susan B. Haskill  
Director, Financial Management

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Medical University of  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Anne Spray Kinney*  
President

*Jeffrey L. Esser*  
Executive Director



## **BOARD OF TRUSTEES AND PRINCIPAL UNIVERSITY OFFICIALS**

### ***Board of Trustees***

***July 1, 2000 - June 30, 2001***

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<sup>(a)</sup> Governor's designee

<sup>(b)</sup> Governor's appointee

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*Vice President*  
*Finance and Administration*

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*Vice President*  
*Medical Affairs*

W. Stuart Smith, M.B.A., M.H.A.  
*Vice President*  
*Clinical Operations and*  
*Executive Director of the Medical Center*

William J. Fisher, B.S.  
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*College of Medicine*

John F. Cormier, Pharm.D.  
*College of Pharmacy*

Maureen R. Keefe, Ph.D.  
*College of Nursing*

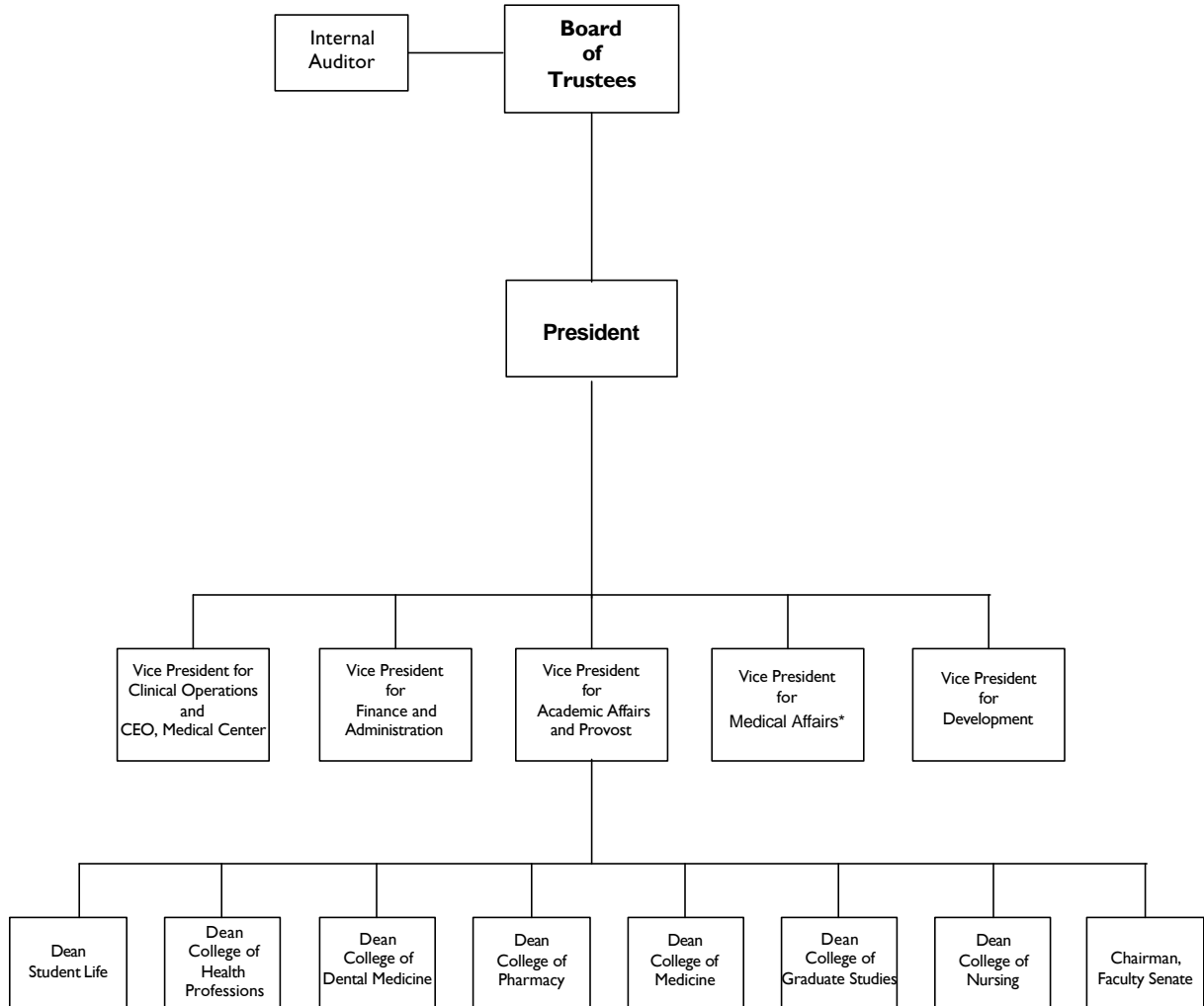
Perry V. Halushka, M.D., Ph.D.  
*College of Graduate Studies*

Richard W. DeChamplain, D.M.D.  
*College of Dental Medicine*

Danielle Ripich, Ph.D.  
*College of Health Professions*

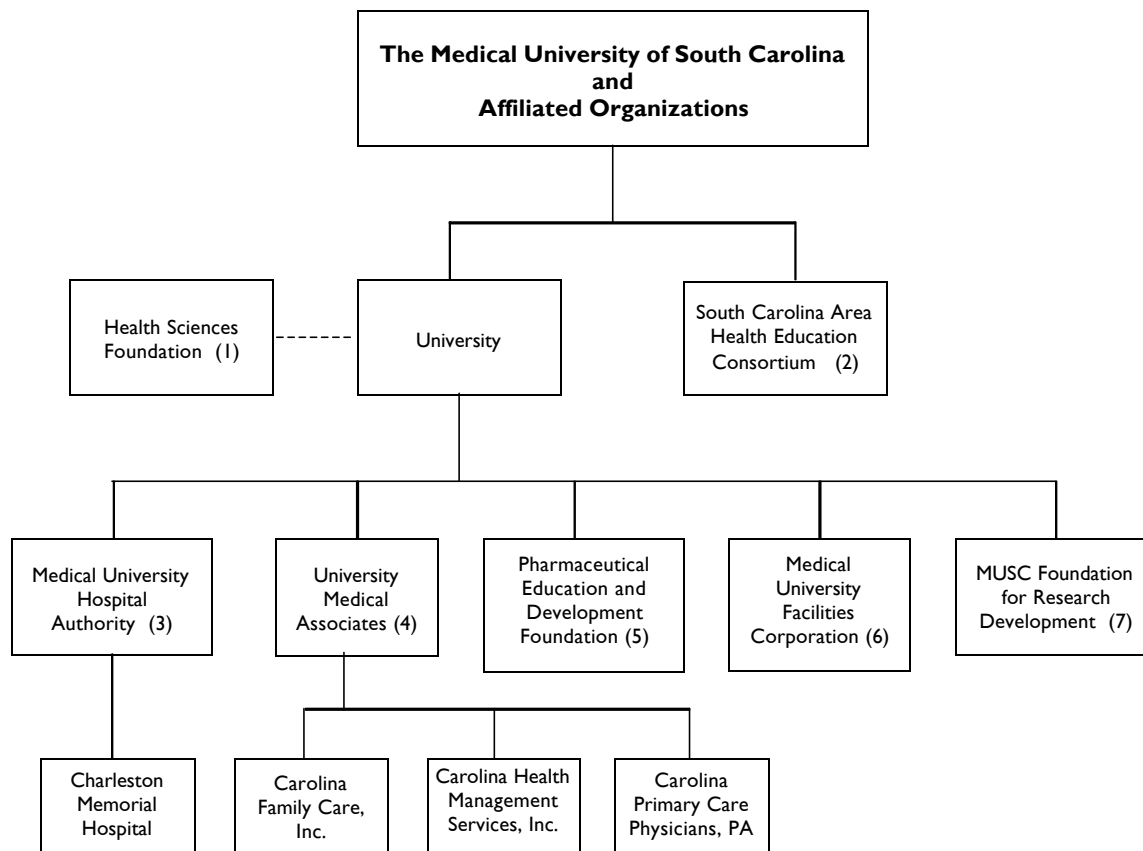
Gilbert Bradham, M.D.  
*Student Life*

## ORGANIZATION CHART



\* This Vice President also serves as Dean of the College of Medicine.

## THE MEDICAL UNIVERSITY AND AFFILIATED ORGANIZATIONS CHART



### Notes:

- (1) The Health Sciences Foundation (HSF) is a non-profit corporation established in 1966 as an educational, charitable, eleemosynary foundation. The HSF is classified as a related party to the University and its financial statement summary is included in the notes to the University's financial statements.
- (2) South Carolina Area Health Education Consortium (AHEC) is a consortium of teaching hospitals, universities, and other participating hospital consortia. AHEC was established in 1972 to help with education, recruitment and retention of physicians in South Carolina, especially in rural underserved areas.
- (3) The Medical University Hospital Authority (MUHA) was formed in June, 2000, to manage and operate the hospitals and clinics of the University.
- (4) University Medical Associates (UMA) is a non-profit corporation established to promote and support the educational, medical, scientific, and research purposes of the University.
- (5) The Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF) is a non-profit corporation established to provide pharmaceutical students with practical education and experience in the field of industrial pharmaceuticals.
- (6) Medical University Facilities Corporation (MUFC) is a non-profit corporation established in fiscal year 1991-92 to obtain financing for the University to acquire real property.
- (7) The MUSC Foundation for Research Development (MFRD) is a non-profit corporation established in 1995 to manage the University's intellectual property and technology marketing and to foster cooperation between the University and business and industry.

## Financial Section

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

December 3, 2001

The Honorable Jim Hodges, Governor  
and  
Members of the Board of Trustees  
The Medical University of South Carolina  
Charleston, South Carolina

This report on the audit of the financial statements of The Medical University of South Carolina for the fiscal year ended June 30, 2001, was issued by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Tom Wagner".

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc



# ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA,  
State Auditor  
State of South Carolina  
Columbia, South Carolina

We have audited the accompanying basic financial statements of The Medical University of South Carolina (the University), Charleston, South Carolina as of June 30, 2001, and for the year then ended as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the basic financial statements, the accompanying financial statements of The Medical University of South Carolina are intended to present the financial position, changes in fund balances, current funds revenues, expenditures, and other changes and the results of operations and cash flows of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University. The financial statements referred to above include the financial activities of the following component units of the University: Medical University Hospital Authority; University Medical Associates of The Medical University of South Carolina; Pharmaceutical Education and Development Foundation of The Medical University of South Carolina; Medical University of South Carolina Foundation for Research Development; and the Medical University Facilities Corporation. These financial statements are not intended to present fairly the financial position and results of operations of the State of South Carolina and/or its other agencies, institutions, departments or funds in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of The Medical University of South Carolina at June 30, 2001, the changes in fund balances, the current funds revenues, expenditures, and other changes and the results of operations and the cash flows of its component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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As discussed in Note 25, the University changed its method of accounting for and reporting nonexchange transactions to comply with Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions effective for periods beginning after June 15, 2000. Under this standard, the University changed its method of reporting certain grant revenues. Adjustments resulting from changes to comply with this Statement are required to be treated as adjustments of prior periods.

Also, as discussed in Note 25, management discovered that certain errors were made in the applications of accounting principles resulting in the over and under reporting of assets as of June 30, 2000 and that certain liabilities, revenues and expenditures/expenses were misclassified in prior years. The changes have been accounted for as prior period adjustments.

These basic financial statements exclude the Health Science Foundation from the reporting entity because the University is not financially accountable for this organization. As part of its affiliated organizations project, the Governmental Accounting Standards Board is currently studying other circumstances under which organizations that do not meet the financial accountability criteria and would be included in the financial reporting entity.

The information presented in the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Rogers & Lalan, PA*

October 19, 2001

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

**BALANCE SHEET**  
**UNIVERSITY FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2001**

	Current Funds		Loan	Endowment	
	Unrestricted	Restricted	Funds	and Similar	Plant Funds
				Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 37,919,981	\$ 12,099,006	\$ 1,899,348	\$ 936,397	\$ 21,079,257
Investments	-	-	-	-	-
Accounts receivable:					
Patients	-	-	-	-	-
Less allowances	-	-	-	-	-
Medicare and Champus cost					
reimbursements, net	-	-	-	-	-
Students	1,723,851	-	-	-	-
Other	2,001,167	-	-	-	-
Grants and contracts receivable:					
Federal government	-	10,883,465	-	-	-
Other	-	1,111,269	-	-	-
Accrued interest receivable	297	59,282	14,353	-	347,206
Capital improvement bond proceeds receivable	-	-	-	-	18,206,563
Inventories	-	-	-	-	-
Student loans receivable (less allowance for					
doubtful accounts of \$31,000)	-	-	12,903,060	-	-
Loan participation deposit	-	-	31,000	-	-
Due from The Medical University of South					
Carolina	-	-	-	-	-
Due from Medical University Hospital Authority	3,779,019	-	-	-	-
Due from University Medical Associates	374,812	-	-	-	-
Due from Medical University Facilities					
Corporation	-	-	-	-	457,321
Due from Pharmaceutical Education and					
Development Foundation	162,337	-	-	-	-
Due from MUSC Foundation for Research					
Development	96,870	3,059,676	-	-	-
Capital lease receivable from The Medical					
University of South Carolina	-	-	-	-	-
Prepaid items	1,655,240	40,443	-	-	-
Investments in partnerships	-	-	-	-	-
Land and land improvements	-	-	-	-	18,327,484
Buildings and leasehold improvements	-	-	-	-	214,889,887
Furniture and equipment	-	-	-	-	58,554,022
Computer software	-	-	-	-	-
Library books, periodicals, and other materials	-	-	-	-	16,035,287
Accumulated depreciation and amortization	-	-	-	-	-
Construction in progress	-	-	-	-	24,685,577
Intangible assets	-	-	-	-	-
Bond and note issuance costs	-	-	-	-	-
Accumulated amortization	-	-	-	-	-
Other assets	-	-	-	-	-
Total assets	<u>\$ 47,713,574</u>	<u>\$ 27,253,141</u>	<u>\$ 14,847,761</u>	<u>\$ 936,397</u>	<u>\$ 372,582,604</u>



**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

		Component Units					Totals - Memorandum Only						
		Medical University Hospital Authority	University Medical Associates	Medical University Facilities Corporation	Pharmaceutical Education and Development Foundation	MUSC Foundation for Research Development							
Agency Funds													
\$	652,519	\$	60,189,240	\$	23,396,516	\$	3,336,950	\$	171,755	\$	1,895,136	\$	163,576,105
	-		-		9,883,045		529,168		-		5,549,441		15,961,654
	-		133,109,194		45,238,962		-		-		-		178,348,156
	-		(59,582,500)		(25,489,527)		-		-		-		(85,072,027)
	-		3,548,220		-		-		-		-		3,548,220
	-		-		-		-		-		-		1,723,851
	-		2,036,650		180,570		-		-		-		4,218,387
	-		-		-		-		-		-		10,883,465
	-		-		-		-		994,592		1,066,227		3,172,088
	-		541,866		88,754		5,944		-		83,122		1,140,824
	-		-		-		-		-		-		18,206,563
	-		10,602,674		-		-		36,722		-		10,639,396
	-		-		-		-		-		-		12,903,060
	-		-		-		-		-		-		31,000
	-		1,360,181		1,532,983		-		-		254,147		3,147,311
	-		-		4,839,423		-		-		-		8,618,442
	-		-		-		-		-		-		374,812
	-		-		-		-		-		-		457,321
	-		-		2,109,537		-		-		-		2,271,874
	-		-		-		-		-		-		3,156,546
	-		-		-		25,145,871		-		-		25,145,871
	-		2,292,094		16,087,545		-		144,654		53,777		20,273,753
	-		-		3,622,477		-		-		-		3,622,477
	-		3,376,718		31,218		-		-		-		21,735,420
	-		167,337,121		57,162,003		-		8,044,666		161,834		447,595,511
	-		118,536,998		9,352,027		-		1,971,206		530,951		188,945,204
	-		1,562,893		942,905		-		-		64,830		2,570,628
	-		-		-		-		-		-		16,035,287
	-		(147,821,763)		(15,366,433)		-		(1,118,396)		(224,112)		(164,530,704)
	-		14,476,777		-		-		-		-		39,162,354
	-		-		5,745,383		-		-		-		5,745,383
	-		-		5,638,177		356,900		-		-		5,995,077
	-		-		(2,580,604)		(98,747)		-		-		(2,679,351)
	-		-		1,034,758		-		-		-		1,034,758
\$	652,519	\$	311,566,363	\$	143,449,719	\$	29,276,086	\$	10,245,199	\$	9,435,353	\$	967,958,716

Continued on next page

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

**BALANCE SHEET (Continued)**  
**UNIVERSITY FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS**  
**June 30, 2001**

	Current Funds		Loan	Endowment	
	Unrestricted	Restricted	Funds	and Similar	Plant Funds
				Funds	
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable	\$ 4,582,002	\$ 791,001	\$ -	\$ -	\$ 681,957
Advances	-	-	-	-	-
Retainages payable	-	-	-	-	131,516
Accrued payroll and related liabilities	4,009,370	526,377	-	-	-
Accrued leave and related liabilities	18,468,991	-	-	-	-
Accrued interest payable	77,063	-	-	-	746,178
Deferred revenues	1,785,918	844,921	-	-	-
Due to The Medical University of South Carolina	-	-	-	-	-
Due to Medical University Hospital Authority	1,360,181	-	-	-	792,277
Due to University Medical Associates	975,935	658,986	-	-	-
Due to Pharmaceutical Education and Development Foundation	-	-	-	-	-
Due to MUSC Foundation for Research Development	-	230,712	-	-	-
Deposits held for others	-	-	-	-	-
Pension plan payable	-	-	-	-	-
Interest rate swap liability	-	-	-	-	-
Other liabilities	568,701	296,483	69,980	-	-
Notes payable	-	-	-	-	-
Bonds payable	-	-	-	-	38,205,000
Certificates of participation payable	-	-	-	-	-
Direct note obligations	-	-	-	-	-
Deferred loss on refunding of debt	-	-	-	-	-
Accumulated amortization	-	-	-	-	-
Obligations under capital leases	-	-	-	-	395,075
Structured legal settlement	-	-	-	-	-
Capital lease payable to Medical University Facilities Corporation	-	-	-	-	25,145,871
Total liabilities	<u>31,828,161</u>	<u>3,348,480</u>	<u>69,980</u>	<u>-</u>	<u>66,097,874</u>
Fund equity:					
Contributed Capital	-	-	-	-	-
Retained earnings (deficit)	-	-	-	-	-
Retained earnings reserved for debt service	-	-	-	-	-
Net assets:					
Unrestricted (deficit)	-	-	-	-	-
Temporarily restricted	-	-	-	-	-
Fund balances:					
Restricted	-	23,904,661	1,321,061	936,397	27,021,564
Unrestricted:					
Designated for capital projects	-	-	-	-	5,144,519
Undesignated	15,885,413	-	139,716	-	2,887,913
U. S. government grants refundable	-	-	13,317,004	-	-
Net investment in plant	-	-	-	-	271,430,734
Total fund equity	<u>15,885,413</u>	<u>23,904,661</u>	<u>14,777,781</u>	<u>936,397</u>	<u>306,484,730</u>
Total liabilities and fund equity	<u>\$ 47,713,574</u>	<u>\$ 27,253,141</u>	<u>\$ 14,847,761</u>	<u>\$ 936,397</u>	<u>\$ 372,582,604</u>

The accompanying notes are an integral part of this financial statement.

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

Agency Funds	Component Units					Totals - Memorandum Only
	Medical University Hospital Authority	University Medical Associates	Medical University Facilities Corporation	Pharmaceutical Education and Development Foundation	MUSC Foundation for Research Development	
\$ -	\$ 15,198,827	\$ 3,784,470	\$ -	\$ 355,733	\$ 1,139,263	\$ 26,533,253
-	-	5,000,000	-	-	-	5,000,000
-	739,695	-	-	-	-	871,211
-	7,421,303	3,626,037	-	-	-	15,583,087
-	10,813,461	3,512,920	-	-	-	32,795,372
-	3,294,361	670,490	768,415	-	-	5,556,507
-	-	-	-	222,623	2,102,871	4,956,333
-	2,986,508	-	457,321	162,182	3,156,546	6,762,557
234	-	-	-	-	-	2,152,692
272,874	4,839,423	-	-	2,280,356	-	9,027,574
155	-	-	-	-	-	155
23,435	-	-	-	-	-	254,147
355,821	-	-	-	-	-	355,821
-	-	1,682,490	-	-	-	1,682,490
-	-	1,760,069	-	-	-	1,760,069
-	109,410	673,907	-	6,533,453	-	8,251,934
-	20,241,558	19,655,563	-	81,223	-	39,978,344
-	102,990,000	-	11,675,000	-	-	152,870,000
-	-	-	15,020,000	-	-	15,020,000
-	-	100,150,000	-	-	-	100,150,000
-	-	(1,223,564)	-	-	-	(1,223,564)
-	-	77,170	-	-	-	77,170
-	1,682,691	1,571,980	-	7,096,787	-	10,746,533
-	-	3,360,000	-	-	-	3,360,000
-	-	-	-	-	-	25,145,871
652,519	170,317,237	144,301,532	27,920,736	16,732,357	6,398,680	467,667,556
-	132,226,403	-	-	-	-	132,226,403
-	(982,167)	(9,932,766)	(682,013)	-	-	(11,596,946)
-	10,004,890	9,080,953	2,037,363	-	-	21,123,206
-	-	-	-	(6,487,158)	2,359,751	(4,127,407)
-	-	-	-	-	676,922	676,922
-	-	-	-	-	-	53,183,683
-	-	-	-	-	-	5,144,519
-	-	-	-	-	-	18,913,042
-	-	-	-	-	-	13,317,004
-	-	-	-	-	-	271,430,734
-	141,249,126	(851,813)	1,355,350	(6,487,158)	3,036,673	500,291,160
\$ 652,519	\$ 311,566,363	\$ 143,449,719	\$ 29,276,086	\$ 10,245,199	\$ 9,435,353	\$ 967,958,716

**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

**STATEMENT OF CHANGES IN FUND BALANCES**

**For the Year Ended June 30, 2001**

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds	Totals - Memorandum Only
	Unrestricted	Restricted				
Revenues and other additions:						
Unrestricted current funds revenues	\$ 254,588,823	\$ -	\$ -	\$ -	\$ -	\$ 254,588,823
Student tuition and fees - restricted	-	-	-	-	3,630,819	3,630,819
State appropriation - restricted	-	332,830	-	-	-	332,830
Capital improvement bond proceeds	-	-	-	-	6,300,000	6,300,000
Federal grants and contracts - restricted	-	77,383,076	-	-	-	77,383,076
U. S. Government advances	-	-	452,514	-	-	452,514
State grants and contracts - restricted	-	3,909,956	-	-	-	3,909,956
Local government grants and contracts restricted	-	87,019	-	-	-	87,019
Nongovernmental grants and contracts restricted	-	16,729,164	-	-	-	16,729,164
Gifts - restricted	-	10,938	-	-	-	10,938
Interest and investment income - restricted	-	644,533	113,007	-	2,930,504	3,688,044
Interest on student loans receivable	-	-	262,056	-	-	262,056
Endowment income - restricted	-	112,490	60	-	-	112,550
Expended for plant facilities (including \$4,447,281 charged to current funds expenditures)	-	-	-	-	6,417,175	6,417,175
Donated assets	-	-	-	-	361,868	361,868
Retirement of indebtedness	-	-	-	-	3,104,065	3,104,065
Other additions	-	28,180	2,699	-	621,183	652,062
Total revenues and other additions	254,588,823	99,238,186	830,336	-	23,365,614	378,022,959
Expenditures and other deductions:						
Educational and general expenditures	254,859,129	70,705,388	-	-	-	325,564,517
Auxiliary enterprises expenditures	2,463,209	-	-	-	-	2,463,209
Indirect cost recoveries remitted to the State General Fund	101,711	-	-	-	-	101,711
Indirect cost recovered	-	18,863,092	-	-	-	18,863,092
Refunded to grantors	-	343,709	-	-	-	343,709
Expended for plant facilities	-	-	-	-	1,960,550	1,960,550
Interest capitalized on construction	-	-	-	-	189,644	189,644
Retirement of indebtedness	-	-	-	-	2,020,000	2,020,000
Interest on indebtedness	-	-	-	-	2,151,748	2,151,748
Disposal of plant facilities	-	-	-	-	5,184,442	5,184,442
Capital lease additions	-	-	-	-	9,344	9,344
Loan cancellations and write-offs	-	-	83,860	-	-	83,860
Administrative costs	-	-	-	-	5,270	5,270
Other expenditures	-	-	1,661	1,000	48,878	51,539
Total expenditures and other deductions	257,424,049	89,912,189	85,521	1,000	11,569,876	358,992,635
Other transfers and additions/(deductions):						
Mandatory:						
Principal and interest	(709,043)	-	-	-	709,043	-
Loan fund matching grant	(112,130)	-	112,130	-	-	-
College work study matching grant	(50,637)	50,637	-	-	-	-
Endowment income transferred to principal	-	(21,826)	-	21,826	-	-
Nonmandatory:						
Transfers from unrestricted current funds	(1,229,224)	-	30,224	-	1,199,000	-
Transfers to unrestricted current funds	56,757	-	(56,757)	-	-	-
Transfers to restricted current funds	-	23,241	(23,241)	-	-	-
Net transfers between current funds	1,306,613	(1,306,613)	-	-	-	-
Transfers from Medical University Hospital Authority	5,251,895	-	-	-	311,154	5,563,049
Transfers from University Medical Associates	3,834,651	-	-	-	-	3,834,651
Transfers from Medical University Facilities Corporation	54,998	-	-	-	-	54,998
Total transfers	8,403,880	(1,254,561)	62,356	21,826	2,219,197	9,452,698
Net increase (decrease) for the year	5,568,654	8,071,436	807,171	20,826	14,014,935	28,483,022
Fund equity at beginning of year, as restated	53,786,655	15,833,225	13,970,610	915,571	509,525,885	594,031,946
Residual equity transfers	(43,469,896)	-	-	-	(217,056,090)	(260,525,986)
Fund equity at end of year	\$ 15,885,413	\$ 23,904,661	\$ 14,777,781	\$ 936,397	\$ 306,484,730	\$ 361,988,982

The accompanying notes are an integral part of this financial statement.

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

**STATEMENT OF CURRENT FUNDS REVENUES,  
EXPENDITURES, AND OTHER CHANGES**  
**For the Year Ended June 30, 2001**

	Unrestricted	Restricted	Totals
<b>Revenues:</b>			
Student tuition and fees	\$ 16,388,716	\$ -	\$ 16,388,716
State appropriations	125,127,808	332,830	125,460,638
Federal grants and contracts	17,051,040	52,416,432	69,467,472
State grants and contracts	1,261,933	4,459,431	5,721,364
Local government grants and contracts	188,988	-	188,988
Nongovernmental grants and contracts	5,001,957	12,684,231	17,686,188
Gifts	9,750,201	-	9,750,201
Interest and investment income	44,017	644,533	688,550
Endowment income	-	112,490	112,490
Sales of services to Medical University Hospital Authority	57,068,260	-	57,068,260
Sales and services of educational departments	9,834,217	-	9,834,217
Sales and services of auxiliary enterprises	4,141,039	-	4,141,039
Other revenues	8,730,647	26,630	8,757,277
Total current revenues	<u>254,588,823</u>	<u>70,676,577</u>	<u>325,265,400</u>
<b>Expenditures and mandatory transfers:</b>			
Educational and general:			
Instruction	117,156,419	2,538,127	119,694,546
Research	25,321,296	58,478,714	83,800,010
Public service	14,412,855	7,436,310	21,849,165
Academic support	29,475,668	525,974	30,001,642
Student services	6,664,451	9,000	6,673,451
Institutional support	28,922,951	375,449	29,298,400
Operation and maintenance of plant	31,371,667	10,357	31,382,024
Scholarships and fellowships	1,533,822	1,331,457	2,865,279
Total educational and general expenditures	<u>254,859,129</u>	<u>70,705,388</u>	<u>325,564,517</u>
Mandatory transfers for:			
Loan fund matching grant	112,130	-	112,130
College work study matching grant	50,637	(50,637)	-
Endowment income transferred to principal	-	21,826	21,826
Total educational and general	<u>255,021,896</u>	<u>70,676,577</u>	<u>325,698,473</u>
Auxiliary enterprises:			
Expenditures	2,463,209	-	2,463,209
Mandatory transfers for principal and interest	709,043	-	709,043
Total auxiliary enterprises	<u>3,172,252</u>	<u>-</u>	<u>3,172,252</u>
Total expenditures and mandatory transfers	<u>258,194,148</u>	<u>70,676,577</u>	<u>328,870,725</u>
<b>Other transfers and additions (deductions):</b>			
Transfers to/from current funds:			
From loan funds	56,757	23,241	79,998
To loan funds	(30,224)	-	(30,224)
To retirement of indebtedness funds	(1,199,000)	-	(1,199,000)
Net transfers between current funds	1,306,613	(1,306,613)	-
Transfers from Medical University Hospital Authority	5,251,895	-	5,251,895
Transfers from University Medical Associates	3,834,651	-	3,834,651
Transfers from Medical University Facilities Corporation	54,998	-	54,998
Indirect cost recoveries remitted to the State			
General Fund	(101,711)	-	(101,711)
Refunded to grantors	-	(343,709)	(343,709)
Excess of restricted receipts over transfers to revenues	-	9,698,517	9,698,517
Total other transfers and additions (deductions)	<u>9,173,979</u>	<u>8,071,436</u>	<u>17,245,415</u>
<b>Net increase in fund balances</b>	<u>\$ 5,568,654</u>	<u>\$ 8,071,436</u>	<u>\$ 13,640,090</u>

The accompanying notes are an integral part of this financial statement.

**MEDICAL UNIVERSITY HOSPITAL AUTHORITY – A Component Unit**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS**  
**For the Year Ended June 30, 2001**

Operating revenues:	
Net patient service revenue	\$ 498,442,059
Other	8,942,153
Total operating revenues	<u>507,384,212</u>
Operating expenses:	
Patient services	299,546,717
General and administrative	101,398,299
Ambulatory care	35,500,000
Depreciation	15,788,741
Bad debt	39,859,778
Interest	4,711,939
Total operating expenses	<u>496,805,474</u>
Operating income	<u>10,578,738</u>
Nonoperating revenues (expenses):	
Interest and investment income	2,715,578
Rental income	1,105,340
Contribution income	884,878
Loss on disposal of property and equipment	(698,762)
Total nonoperating revenues (expenses)	<u>4,007,034</u>
Income (loss) before nonmandatory transfers	14,585,772
Nonmandatory transfers to The Medical University of South Carolina	<u>(5,563,049)</u>
Net income	9,022,723
Retained earnings at beginning of year	<u>-</u>
Retained earnings at end of year	<u><u>\$ 9,022,723</u></u>

*The accompanying notes are an integral part of this financial statement.*

**MEDICAL UNIVERSITY HOSPITAL AUTHORITY – A Component Unit**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2001**

Cash flows from operating activities:	
Cash received from services	\$ 447,877,583
Cash paid to employees	(169,294,448)
Cash paid to suppliers and others	(277,290,112)
Other receipts	12,982,660
Nonmandatory transfers to The Medical University of South Carolina	(5,563,049)
Net cash provided (used) by operating activities	<u>8,712,634</u>
Cash flows from noncapital financing activities:	
Residual equity transfer	81,567,745
Borrowings under revolving line of credit note payable	94,555,000
Repayments of revolving line of credit note payable	(90,349,000)
Payments under structured legal settlement	(736,381)
Interest paid on structured legal settlement and line of credit note payable	(549,027)
Net cash provided (used) by noncapital financing activities	<u>84,488,337</u>
Cash flows from capital and related financing activities:	
Acquisition of property, plant, and equipment including construction in progress	(19,696,350)
Repayments of notes payable	(6,904,063)
Repayment of bonds payable	(6,045,000)
Repayments of capital lease obligations	(286,089)
Interest paid	(7,488,867)
Net cash provided (used) by capital and related financing activities	<u>(40,420,369)</u>
Cash flows from investing activities:	
Interest and investment income received	5,325,305
Net cash provided (used) by investing activities	<u>5,325,305</u>
Net increase (decrease) in cash and cash equivalents	58,105,907
Cash and cash equivalents at beginning of year	<u>2,083,333</u>
Cash and cash equivalents at end of year	<u><u>\$ 60,189,240</u></u>

**MEDICAL UNIVERSITY HOSPITAL AUTHORITY – A Component Unit**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Year Ended June 30, 2001**

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 10,578,738
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	15,788,741
Provision for bad debts	39,859,778
Contributions received	371
Noncash rental and other expense	842,741
Nonmandatory transfers to The Medical University of South Carolina	(5,563,049)
Rental income received	1,105,340
Interest expense - reclassified to capital and noncapital financing activities	4,711,939
Change in assets and liabilities:	
(Increase) decrease in accounts receivable - patients	(47,432,497)
(Increase) decrease in Medicare and Champus costs reimbursements	(3,131,979)
(Increase) decrease in other receivables	(1,608,651)
(Increase) decrease in inventories	771,416
(Increase) decrease in deposits held by The Medical University of South Carolina	(1,360,181)
(Increase) decrease in due from University Medical Associates	2,916,667
(Increase) decrease in prepaid items	(793,417)
Increase (decrease) in accounts payable	(3,659,103)
Increase (decrease) in accrued payroll and related liabilities	2,341,327
Increase (decrease) in accrued leave and related liabilities	(1,504,184)
Increase (decrease) in due to University Medical Associates	1,318,248
Increase (decrease) in due to The Medical University of South Carolina	(6,199,233)
Increase (decrease) in other liabilities	(270,378)
Total adjustments	(1,866,104)
Net cash provided (used) by operating activities	\$ 8,712,634

Supplemental disclosures:

Noncash capital and related financing activities:

The Authority acquired \$1,542,309 of new equipment through capital leases.

The Authority acquired \$56,733 of equipment through contributions.

The Authority received property and equipment with a book value of \$146,642,926 and construction in progress of \$2,880,789 and assumed debt and liabilities of \$132,165,064 in connection with the residual equity transfer.

Noncash noncapital and related financing activities:

The Authority assumed debt of \$3,740,381 in connection with the residual equity transfer.

Noncash investing activities:

The Authority received assets with a value of \$783,555 in connection with the residual equity transfer.

Noncash operating activities:

The Authority received various assets with a value of \$79,670,982 and assumed liabilities of \$43,414,148 in connection with the residual equity transfer.

Charleston Memorial Hospital received an in-kind contribution of \$827,774 by Charleston County for rent due.

*The accompanying notes are an integral part of this financial statement.*



**UNIVERSITY MEDICAL ASSOCIATES OF THE  
MEDICAL UNIVERSITY OF SOUTH CAROLINA – A Component Unit  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS  
For the Year Ended June 30, 2001**

Operating revenues:	
Net clinical service revenue	\$ 132,462,680
Other operating revenue	4,872,894
Ambulatory care clinical education agreement support	35,500,000
Primary Care educational agreement support	5,500,000
Total operating revenues	<u>178,335,574</u>
Operating expenses:	
Departmental expenses (includes depreciation of \$416,176 and amortization of \$511,333)	101,759,595
Corporate operating expenses (includes depreciation of \$471,551)	18,755,197
Ambulatory care clinical education agreement expenses (includes depreciation of \$1,510,255; amortization of \$112,875; and interest expense of \$3,457,334)	35,662,736
Provision for bad debts	19,618,667
Interest expense	2,119,845
Total operating expenses	<u>177,916,040</u>
Operating income	<u>419,534</u>
Nonoperating revenues (expenses):	
Rental income	4,491,396
Rent expense (includes depreciation of \$922,097 and amortization of \$78,986)	(1,299,558)
Interest expense on rental property	(2,519,305)
Investment income	1,181,655
Other income	1,859,462
Loss on disposition of assets	(170,537)
Total net nonoperating revenues (expenses)	<u>3,543,113</u>
Net income before operating transfers	<u>3,962,647</u>
Transfers from (to) related entities:	
Nonmandatory contributions to Health Sciences Foundation	(125,649)
Nonmandatory transfers to The Medical University of South Carolina and its component units	(3,834,651)
Total transfers from (to) related entities	<u>(3,960,300)</u>
Net income	2,347
Retained earnings (deficit) at beginning of year	(854,160)
Retained earnings (deficit) at end of year	<u>\$ (851,813)</u>

*The accompanying notes are an integral part of this financial statement.*

**UNIVERSITY MEDICAL ASSOCIATES OF THE  
MEDICAL UNIVERSITY OF SOUTH CAROLINA – A Component Unit  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2001**

Cash flows from operating activities:	
Cash received from services	\$ 151,125,860
Cash paid to employees	(95,206,127)
Cash paid to suppliers and others	(54,438,899)
Other receipts	11,223,752
Contributions to Health Sciences Foundation	(125,649)
Nonmandatory transfers to The Medical University of South Carolina and its component units	(3,834,651)
Net cash provided (used) by operating activities	<u>8,744,286</u>
Cash flows from noncapital financing activities:	
Borrowings under revolving line of credit note payable	13,427,109
Repayments of revolving line of credit note payable	(15,427,109)
Proceeds from advance	5,000,000
Repayment of advance	(1,000,000)
Payments under structured legal settlement	(840,000)
Repayment of direct note obligation	(280,500)
Interest paid on direct note obligations and line of credit note payable	(2,089,716)
Payment of agent fees	(36,569)
Net cash provided (used) by noncapital financing activities	<u>(1,246,785)</u>
Cash flows from capital and related financing activities:	
Acquisition of property, plant, and equipment	(247,042)
Proceeds from sale of fixed assets	44,997
Acquisition of primary care operations	(11,717)
Repayments of notes payable	(769,845)
Repayment of direct note obligations	(1,319,500)
Repayments of capital lease obligations	(745,290)
Payment of agent and broker fees	(210,045)
Interest paid	(5,761,826)
Net cash provided (used) by capital and related financing activities	<u>(9,020,268)</u>
Cash flows from investing activities:	
Acquisition of investments	(8,395,625)
Proceeds from sale and maturities of investments	3,601,537
Receipts under structured settlement agreement	955,244
Distributions from investments	35,805
Interest and investment income received	1,541,198
Net cash provided (used) by investing activities	<u>(2,261,841)</u>
Net increase (decrease) in cash and cash equivalents	(3,784,608)
Cash and cash equivalents at beginning of year	<u>27,181,124</u>
Cash and cash equivalents at end of year	<u>\$ 23,396,516</u>

**UNIVERSITY MEDICAL ASSOCIATES OF THE  
MEDICAL UNIVERSITY OF SOUTH CAROLINA – A Component Unit  
STATEMENT OF CASH FLOWS (Continued)  
For the Year Ended June 30, 2001**

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 419,534
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation and amortization	3,022,190
Provision for bad debts	19,618,667
Contributions to Health Sciences Foundation	(125,649)
Nonmandatory transfers to The Medical University of South Carolina and its component units	(3,834,651)
Rental and other income received	6,350,858
Interest expense - reclassified to noncapital and capital financing activities	5,577,179
Agent and broker fees paid - reclassified to noncapital and capital financing activities	246,614
Change in assets and liabilities:	
(Increase) decrease in accounts receivable - patients	(19,249,334)
(Increase) decrease in other receivables	31,113
(Increase) decrease in due from The Medical University of South Carolina	3,715,933
(Increase) decrease in due from Medical University Hospital Authority	(5,565,829)
(Increase) decrease in due from Charleston Memorial Hospital	260,788
(Increase) decrease in due from Pharmaceutical Education and Development Foundation	89,721
(Increase) decrease in due from MUSC Foundation for Research Development	8,750
(Increase) decrease in prepaid items	18,955
(Increase) decrease in other assets	(611,154)
Increase (decrease) in accounts payable	1,140,786
Increase (decrease) in accrued payroll and related liabilities	639,573
Increase (decrease) in accrued leave and related liabilities	(24,965)
Increase (decrease) in due to Medical University Hospital Authority	(2,916,667)
Increase (decrease) in pension plan payable	(97,544)
Increase (decrease) in other liabilities	29,418
Total adjustments	8,324,752
Net cash provided (used) by operating activities	\$ 8,744,286

Supplemental disclosures:

Noncash capital and related financing activities:

UMA acquired \$700,688 of new equipment through capital leases and long-term debt.

*The accompanying notes are an integral part of this financial statement.*

**MEDICAL UNIVERSITY FACILITIES CORPORATION – A Component Unit**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN RETAINED EARNINGS**

**For the Year Ended June 30, 2001**

Operating revenues:	
Interest income	\$ 161,755
Interest income from The Medical University of South Carolina	2,035,204
Total operating revenues	<u>2,196,959</u>
Operating expenses:	
Interest	2,010,953
Amortization of bond issue costs	16,928
Fees	9,349
Total operating expenses	<u>2,037,230</u>
Operating income	159,729
Transfer to the Medical University of South Carolina	<u>(54,998)</u>
Net income	104,731
Retained earnings at beginning of year	<u>1,250,619</u>
Retained earnings at end of year	<u><u>\$ 1,355,350</u></u>

*The accompanying notes are an integral part of this financial statement.*

**MEDICAL UNIVERSITY FACILITIES CORPORATION – A Component Unit**

**STATEMENT OF CASH FLOWS**

**For the Year Ended June 30, 2001**

Cash flows from operating activities:	
Transfer to the Medical University of South Carolina	\$ (54,998)
Net cash provided (used) by operating activities	<u>(54,998)</u>
Cash flows from noncapital financing activities:	
Principal paid on bonds payable	(384,000)
Principal paid on certificates of participation	(670,000)
Interest paid on bonds payable	(891,570)
Interest paid on certificates of participation	<u>(1,151,243)</u>
Net cash provided (used) by noncapital financing activities	<u>(3,096,813)</u>
Cash flows from investing activities:	
Collections of capital lease principal	945,819
Interest received on capital leases	2,035,204
Purchases of investments	(1,277,670)
Proceeds from sales and maturities of investments	1,277,670
Interest on investments	161,170
Fees paid	(9,349)
Funds received and held for The Medical University of South Carolina	<u>35,804</u>
Net cash provided (used) by investing activities	<u>3,168,648</u>
Net increase (decrease) in cash and cash equivalents	16,837
Cash and cash equivalents at beginning of year	3,320,113
Cash and cash equivalents at end of year	<u>\$ 3,336,950</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 159,729
Adjustments to reconcile operating income to net cash provided by operating activities:	
Amortization of bond issue costs	16,928
Transfer to the Medical University of South Carolina	(54,998)
Interest income - reclassified to investing activities	(2,196,959)
Interest expense - reclassified to investing activities	2,010,953
Fees - reclassified to investing activities	9,349
Total adjustments	<u>(214,727)</u>
Net cash provided (used) by operating activities	<u>\$ (54,998)</u>

*The accompanying notes are an integral part of this financial statement.*

**PHARMACEUTICAL EDUCATION AND DEVELOPMENT  
FOUNDATION OF THE MEDICAL UNIVERSITY OF  
SOUTH CAROLINA – A Component Unit  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2001**

Revenues, gains, and other support:	
Sales/contract income	\$ 4,215,408
Interest income	7,275
Other income - from educational support to The Medical University of South Carolina	210,000
Other income	<u>289</u>
Total revenues, gains, and other support	<u>4,432,972</u>
Expenses:	
Support services - management and general:	
Contract personnel	2,778,873
Supplies	458,574
Rent and utilities	369,594
Services	416,740
Interest	780,700
Marketing	142,446
Depreciation	405,147
Insurance	168,654
Travel and entertainment	100,588
Repairs and maintenance	188,279
Taxes	103,194
Commission expense	30,648
Lease expense	438,699
Miscellaneous	119,216
Loss on disposal of equipment	<u>6,838</u>
Total expenses	<u>6,508,190</u>
Change in unrestricted net assets (decrease)	(2,075,218)
Net assets at beginning of year (deficit)	<u>(4,411,940)</u>
Net assets at end of year (deficit)	<u><u>\$ (6,487,158)</u></u>

*The accompanying notes are an integral part of this financial statement.*

**PHARMACEUTICAL EDUCATION AND DEVELOPMENT  
FOUNDATION OF THE MEDICAL UNIVERSITY OF  
SOUTH CAROLINA – A Component Unit  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2001**

Cash flows from operating activities:	
Cash received for services	\$ 4,087,508
Cash paid to suppliers and others	(5,375,509)
Interest income	7,275
Interest paid	(735,429)
Net cash provided (used) by operating activities	(2,016,155)
Cash flows from investing activities:	
Purchases of property and equipment	(627,908)
Net cash provided (used) by investing activities	(627,908)
Cash flows from financing activities:	
Proceeds from obligation payable to Health Sciences Foundation	3,321,258
Payments on unsecured notes payable	(116,765)
Payments on capital lease	(227,888)
Repayment on line of credit	(200,000)
Net cash provided (used) by financing activities	2,776,605
Net increase (decrease) in cash and cash equivalents	132,542
Cash and cash equivalents at beginning of period	39,213
Cash and cash equivalents at end of period	\$ 171,755
Reconciliation of cash flows from operating activities:	
Change in net assets (decrease)	\$ (2,075,218)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	405,147
Insurance financed by note payable	104,532
Interest expense capitalized	45,271
Loss on disposal of assets	10,450
Changes in operating assets and liabilities:	
(Increase) decrease in grants and contracts receivable	(416,402)
(Increase) decrease in prepaid expenses and other assets	14,141
(Increase) decrease in inventory	14,302
Increase (decrease) in accounts payable	48,021
Increase (decrease) in deferred revenue and other liabilities	78,213
Increase (decrease) in due to The Medical University of South Carolina	(154,891)
Increase (decrease) in due to University Medical Associates	(89,721)
Total adjustments	59,063
Net cash provided (used) by operating activities	\$ (2,016,155)

Supplemental Disclosures:

Noncash investing and financing activities:

PEDF financed \$563,815 of property and equipment purchases with new capital leases and financed \$197,988 of prepaid insurance premiums with notes payable.

The accompanying notes are an integral part of this financial statement.

**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT – A Component Unit**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2001**

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
State grants and contracts	\$ 895,000	\$ 383,991	\$ 1,278,991
Corporate contracts and awards	582,620	5,591,961	6,174,581
Program contributions and private grants	129,919	1,507,526	1,637,445
License fees and royalties	534,288	-	534,288
Interest and dividend income	427,677	146,162	573,839
Net unrealized and realized gain on long-term investments	165,565	1,565	167,130
Miscellaneous income	89,985	-	89,985
	<u>2,825,054</u>	<u>7,631,205</u>	<u>10,456,259</u>
Net assets released from restrictions:			
Program restrictions satisfied	7,088,699	(7,088,699)	-
Total revenues, gains, and other support	<u>9,913,753</u>	<u>542,506</u>	<u>10,456,259</u>
Expenses:			
Program services:			
Research (includes depreciation of \$28,546)	5,904,180	-	5,904,180
Training	344,599	-	344,599
Public service (includes depreciation of \$25,882)	429,042	-	429,042
Technology transfer activity (includes depreciation of \$4,736)	666,246	-	666,246
Residuals (includes depreciation of \$7,475)	427,704	-	427,704
Total program expenses	<u>7,771,771</u>	<u>-</u>	<u>7,771,771</u>
Supporting services - management and general:			
Operations (includes depreciation of \$11,073)	693,389	-	693,389
Clinical Innovation Group (includes depreciation of \$15,323)	985,713	-	985,713
Total supporting services	<u>1,679,102</u>	<u>-</u>	<u>1,679,102</u>
Total expenses	<u>9,450,873</u>	<u>-</u>	<u>9,450,873</u>
Change in net assets	462,880	542,506	1,005,386
Net assets at beginning of year	<u>1,896,871</u>	<u>134,416</u>	<u>2,031,287</u>
Net assets at end of year	<u>\$ 2,359,751</u>	<u>\$ 676,922</u>	<u>\$ 3,036,673</u>

*The accompanying notes are an integral part of this financial statement.*



**MUSC FOUNDATION FOR RESEARCH DEVELOPMENT – A Component Unit**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2001**

Cash flows from operating activities:	
Cash received for services	\$ 7,328,915
Cash paid to suppliers and others	(7,324,160)
Cash paid to employees	(1,536,660)
Interest income received	490,717
Cash held for others returned to The Medical University of South Carolina	(2,025,190)
Net cash provided (used) by operating activities	<u>(3,066,378)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(198,866)
Purchases of investments	(2,803,299)
Proceeds from sales and maturities of investments	5,316,954
Net cash provided (used) by investing activities	<u>2,314,789</u>
Net increase (decrease) in cash and cash equivalents	(751,589)
Cash and cash equivalents at beginning of period	<u>2,646,725</u>
Cash and cash equivalents at end of period	<u>\$ 1,895,136</u>
Reconciliation of cash flows from operating activities:	
Change in net assets	<u>\$ 1,005,386</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	93,035
Amortization of bond premium and discount	9,109
Net unrealized and realized loss (gain) on long-term investments	(176,240)
Change in operating assets and liabilities:	
Decrease (increase) in accrued interest receivable	(83,122)
Decrease (increase) in grants and contracts receivable	(31,538)
Decrease (increase) in prepaid items	(7,999)
Increase (decrease) in accounts payable and accrued expenses	852,359
Increase (decrease) in deferred revenues	(2,221,267)
Increase (decrease) in due to The Medical University of South Carolina	(2,497,351)
Increase (decrease) in due to University Medical Associates	(8,750)
Total adjustments	<u>(4,071,764)</u>
Net cash provided (used) by operating activities	<u>\$ (3,066,378)</u>
Supplemental disclosure:	
Noncash operating activities:	
Medical University of South Carolina contributed services received (operating revenue reported) equal to contributor's cost of services (operating expense reported).	<u>\$ 114,919</u>

*The accompanying notes are an integral part of this financial statement.*

## **Notes To Financial Statements**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for accounting principles generally accepted in the United States of America (GAAP) for all state governmental entities including colleges and universities. The financial statements of The Medical University of South Carolina (the University) have been prepared in accordance with GAAP, as outlined in Governmental Accounting Standards Board (GASB) Statement No. 15. That statement permits the entity to use the American Institute of Certified Public Accountants (AICPA) College Guide model. The AICPA College Guide model is the accounting and financial reporting guidance as defined by the AICPA Industry Audit Guide, Audits of Colleges and Universities, as amended by the AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities, as modified by applicable Financial Accounting Standards Board (FASB) pronouncements issued through November 30, 1989, and as modified by all applicable GASB pronouncements.

A summary of significant accounting policies follows.

#### ***Reporting Entity***

The Medical University of South Carolina is a State-supported, coeducational institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the institution. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the University. The Medical University of South Carolina was established as an institution of higher education by Section 59-101-10 of the Code of Laws of South Carolina. The South Carolina Area Health Education Consortium (AHEC) is reported as part of the University. The purpose of AHEC is to provide education, recruitment and retention programs for health care providers by linking the State's academic health science colleges with service agencies and practitioners through community based health education centers.

The University is part of the primary government of the State of South Carolina and its funds are reported in the State's higher education funds in the Comprehensive Annual Financial Report of the State of South Carolina. Generally, all State departments, agencies, and colleges are included in the State's reporting entity. These entities are financially accountable to and fiscally dependent on the State. Although the State-supported universities operate somewhat autonomously, they lack full corporate powers. In addition, the Governor and/or the General Assembly appoint most of their board members and budget a significant portion of their funds. The Board of Trustees, whose members are the Governor (or his designee) ex officio, twelve members elected by the General Assembly in joint assembly, and one member appointed by the Governor, is the governing body of the University. The Board administers, has jurisdiction over, and is responsible for the management of the University.

The core of the financial reporting entity is the primary government which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The financial reporting entity includes the University and all of its component units blended in the primary entity.

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary government or entity unless the organization holds all of the following powers:

- (1) Determines its budget without another government's having the authority to approve and modify that budget.
- (2) Levies taxes or sets rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the University has determined this financial reporting entity includes the University (a primary entity) and all of its component units blended in the primary entity. Based on the application of the above criteria, certain component units are included in the reporting entity because of the significance of their operational or financial relationships with the University. The following identifies the University's component units and the methods of reporting them in these financial statements. All of the component units are blended in the primary entity in discrete columns.

The establishment of the Medical University Hospital Authority (the Authority) was authorized by Act 264 of 2000, signed by the Governor on May 1, 2000. The Act amended section 59-123-60 of the 1976 Code of Laws, relating to the organization and powers of the Board of Trustees of The Medical University of South Carolina. A resolution creating the Authority was adopted by the University Board on June 16, 2000. The Authority was created for the purpose of managing and operating the Medical University Hospitals and Clinics. The duties of operating the hospitals and clinics were formerly provided by the University. Act 264 requires the University Board of Trustees to serve as the governing body of the Authority. The Authority is considered a component unit of the University because the Board of the Authority consists of members of the primary entity and the primary entity has the ability to impose its will on the Authority. As required by Governmental Accounting Standards Board (GASB) Statement No. 14, the Authority's financial activity is blended with the University's activity and presented in a discrete column. All assets, liabilities, fund balances and operations of the University's Medical Center were transferred to the Authority on July 1, 2000 (see Note 27).

Charleston Memorial Hospital (CMH), a not-for-profit acute care facility serving primarily the medically indigent within the County of Charleston, is reported as a component unit of the Authority. The land, buildings, and improvements utilized by CMH are leased from Charleston County. CMH is considered a component unit because the University entered into a management agreement with Charleston County whereby the University assumed responsibility for CMH. The agreement requires that the University continue to provide all services being provided as of the date of the agreement and that the University is responsible for all expenses of CMH. Under the management agreement, the board of the University serves as the Board of Charleston Memorial Hospital and is therefore able to impose its will on CMH. GASB Statement No. 14 requires that a blended presentation be used whenever the component unit's governing body is substantively the same as the governing body of the primary entity. On July 1, 2000, the responsibility for the management of CMH was transferred to the Authority, therefore CMH is reported as a blended component unit of the Authority and the information reported for the Authority includes CMH unless separately noted.

University Medical Associates of The Medical University of South Carolina (UMA) is a component unit of the University because the University is financially accountable for UMA. UMA is a nonprofit, non-stock corporation. UMA was established to deliver inpatient and outpatient professional services for the benefit of the University and accordingly bills, collects, and administers all clinical income generated by its participating physicians. UMA provides the full-time clinical professional faculty and other health professionals with the development of group practice arrangements and operates as a multi-specialty group practice of medicine and related services in the furtherance of medicine, medical research, and education. The by-laws of UMA provide for all of its assets to be transferred to the University upon its dissolution. UMA is considered a component unit because the University has appointment authority over a majority of the UMA board. The fact that certain designated employees of the University are members of the board of UMA under its bylaws constitutes appointment authority. Since the purpose of UMA is to provide services almost entirely to the University, it is considered a blended component unit under Statement 14 of the Governmental Accounting Standards Board.

UMA has formed for-profit subsidiaries for the purpose of creating a primary care network by establishing satellite and affiliate offices and contracting with area physicians to carry out primary care functions. Carolina Family Care, Inc. (CFC) is owned 100% by UMA. Carolina Health Management Services (CHMS) is controlled 100% by UMA. The primary care offices operate under CFC. CHMS employs management, administrative, and non-medical personnel for CFC. Carolina Primary Care Physicians, P.A. (CPCP) is owned 100% by Dr. Howard Evert, but he has assigned all rights in the stock to UMA. CPCP employs the physicians and clinical staff of CFC. CFC and CPCP are organized as for-profit corporations under South Carolina law, whereas CHMS is organized as a non-profit public benefit corporation under South Carolina law, but remains taxable under federal and state income tax law. All three blended component units are income taxable under state and federal law. These component units do not issue separate financial statements.

UMA is financially accountable for its component units because UMA is able to impose its will on the organizations, there is a potential for the organizations to provide specific financial benefits to or impose specific financial burdens on UMA and there is a fiscal dependency by the organizations on UMA. As required by accounting principles generally accepted in the United States of America, the University's financial statements include UMA and its component units.

Medical University Facilities Corporation (MUFC) is a nonprofit corporation established in 1992 to obtain the financing for the University to purchase land, an office building, and a parking garage. A majority of the members of the Board of Directors of the Corporation are employees of the University or members of the University's Board of Trustees. The

agreement between the University and the Corporation requires the University to pay all costs of the Corporation. Medical University Facilities Corporation is considered to be a component unit because the nature and significance of its relationship with the University is such that exclusion from the reporting entity would render the financial statements incomplete. The Corporation is a blended component unit since its only purpose is to provide financing services to the University.

Pharmaceutical Education and Development Foundation of The Medical University of South Carolina (PEDF) was incorporated in September, 1994, under the laws of South Carolina as an educational, charitable, eleemosynary foundation to promote educational, research, clinical, and other facilities and programs of the University's College of Pharmacy. If PEDF is dissolved, its assets will be transferred to the Health Sciences Foundation for the benefit of the College of Pharmacy, or if the College of Pharmacy is not in existence at that time, such assets will be transferred to the Health Sciences Foundation for the benefit of such other activities of the University as its Board of Trustees shall determine. Revenues of PEDF are generated from contracts with pharmaceutical companies for a wide variety of services in pharmaceutical research and development. PEDF is considered a component unit because it is fiscally dependent on the University. Any revenue distribution policy adopted by PEDF requires approval by the University's Board of Trustees. PEDF is a blended component unit since its purpose is to provide services almost entirely to the University.

MUSC Foundation for Research Development (MFRD) was incorporated in March, 1995, as a direct support organization for the University. The mission of MFRD is to support the educational, research and health care mission of the University by fostering creativity and innovation. Additionally, MFRD is charged with initiating and sustaining cooperation and collaboration between the University and business and industry, acting as the University's intellectual property management and technology marketing arm, and advancing health related economic development for South Carolina and the nation. MFRD is a component unit of the University since it is fiscally dependent on the University. MFRD must have prior written consent from the University's Board of Trustees to sell, lease, exchange or mortgage any of its property or assets. MFRD is a blended component unit since it provides services almost entirely to the University.

Copies of the separately issued financial statements of the Authority, CMH, University Medical Associates, Pharmaceutical Education and Development Foundation, and MUSC Foundation for Research Development are available from the management of each entity. Medical University Facilities Corporation does not issue separate financial statements.

The accompanying financial statements present the financial position; the changes in fund balances; the current funds revenues, expenditures, and other changes; and the results of operations and cash flows of the component units of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component units.

### ***Presentation of Component Units***

The University's component units, despite being legally separate from the University (the primary entity), are so intertwined with it that they are, in substance, the same as the primary entity. If the primary entity and its component units use the same reporting model, then such component unit's balances and transactions are blended with those of the primary entity and reported in the applicable fund groups as if they were balances and transactions of the primary entity. However, because the University and its component units use different reporting models, the component units' balances and transactions are reported in discrete columns and included in the "primary entity" totals. Discrete presentation entails reporting component unit financial data which has not been converted to the AICPA college and university model in separate columns or on separate financial statements of the primary entity. The columns and statements are labeled "component units".

### ***Basis of Accounting***

The financial statements of the University have been prepared on the accrual basis except that, in accordance with accounting practices customarily followed by governmental educational institutions, no provision is made for depreciation of physical plant assets, interest on loans to students is recorded when collected, and revenue from tuition and student fees for summer sessions is reported totally within the fiscal year in which the session is primarily conducted. Otherwise, revenues are reported in the accounting period when earned and become measurable and expenditures when materials or services are received or when incurred, if measurable.

Unrestricted state appropriations are recognized as revenue when received or made available. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. The statement does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenue and expenses.

Mandatory transfers are limited to those arising out of binding legal arrangements related to financing the educational plant (e.g., construction, repairs, debt amortization, and interest); agreements to match gifts and grants; or required matching of certain federal loan programs. All other interfund transfers are reported as nonmandatory transfers.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of alterations and renovations and purchases and normal replacement of movable equipment and library books; (2) mandatory transfers in the case of required provisions; and (3) transfers of a nonmandatory nature in all other cases.

### ***Basis of Accounting - Component Units***

The financial statements of all of the component units are prepared on the accrual basis. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Medical University Hospital Authority, University Medical Associates, and Medical University Facilities Corporation conduct business-like activities. They are financed primarily through user charges. The measurement focus of these entities is on the flow of economic resources and the determination and presentation of net income, financial position, and cash flows. These component units are considered to be governmental entities and have implemented Governmental Accounting Standards Board (GASB) Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*. This statement provides that governmental entities that heretofore have applied not-for-profit accounting and financial reporting principles by following the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 78-10, *Accounting Principles and Reporting Practices for Certain Nonprofit Organizations*, or the *Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations*, should apply the governmental model or the AICPA not-for-profit model. The Authority, UMA, and MUFC have elected to apply the governmental proprietary fund model. These entities apply all applicable GASB pronouncements and, in accordance with GASB 20, have elected to apply only those FASB pronouncements issued on or before November 30, 1989, and not in conflict with GASB standards. The Authority, UMA, and MUFC use only one fund category, proprietary, within which they maintain one fund type, enterprise. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Pharmaceutical Education and Development Foundation and MUSC Foundation for Research Development are deemed not to be governmental entities because a controlling majority of their governing bodies is not appointed nor approved by government officials. Both entities have adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, PEDF and MFRD are required to report information regarding financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### ***Fund Accounting***

Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the institution or in accordance with directions issued by the governing board. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups and subgroups. Accordingly, all financial transactions have been recorded and reported by fund group and subgroup.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated to specific purposes by action of the governing board. Externally restricted funds may be utilized only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owns such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds which is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds unless the endowment agreement requires the income to be added to the corpus. Certain endowment agreements require current earnings not used for the restricted purpose to be added to the corpus. The University records a mandatory transfer to move these monies to the endowment fund group.

All other unrestricted revenues are accounted for in unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

#### **Current Funds**

The current funds group includes those economic resources which are expendable for operating purposes to perform the primary missions of the University, which are instruction, research, and public service. For a more meaningful disclosure, the current funds are divided into two subgroups: unrestricted and restricted. Separate accounts are maintained for the South Carolina Area Health Education Consortium, and auxiliary enterprise operations in the unrestricted current funds. Unrestricted current funds include but are not limited to all funds received for which no stipulation was made by the donor or other external agency as to the purpose for which they should be expended. Current funds are considered unrestricted unless the restrictions imposed by the donor or other external agency are so specific that they substantially reduce the University's flexibility in their utilization. Restricted current funds are those available for financing operations but which are limited by donors and external agencies to specific purposes, programs, departments, or schools. Current funds revenues include (1) all unrestricted gifts, grants and other resources earned during the reporting period and (2) restricted resources to the extent that such funds were expended. Current funds revenues do not include resources that are restricted by external persons or agencies to transactions or purposes accounted for in other than current funds. Additional policy disclosures regarding revenue recognition are described elsewhere in this note under Basis of Accounting, Gifts and Other Nonexchange Transactions, and Deferred Revenues. Unrestricted resources other than gifts and other nonexchange transactions are recorded as revenue when earned. Receipts that are restricted are recorded initially as additions to restricted fund balances and recognized as revenue to the extent that such funds are expended for the restricted purposes during the current fiscal year when all related requirements have been met.

Auxiliary enterprises, primarily composed of parking facilities, are essentially self-supporting business entities and activities that exist for the purpose of furnishing goods and services primarily to patients, students, faculty, staff, or departments and for which charges are made that directly relate to such goods and services. Revenue and expenditures are reported separately as unrestricted current funds. Assets, liabilities, and fund balances are combined with other unrestricted current funds for reporting purposes; however, each separate enterprise maintains its own assets, liabilities, and fund balance.

#### **Loan Funds**

The loan funds group accounts for the resources available for loans to students from donors, government agencies, and mandatory institutional matching grants. Loan funds have been divided into those provided by the federal government and those provided by other sources. Expenditures include costs of loan collections, loan cancellations and collectibility reserves, uncollectible loan write-offs, and administrative costs under the federal loan programs. To the extent that current funds are used to meet required provisions for grant matching, they are accounted for as mandatory transfers.

#### **Endowment and Similar Funds**

The endowment and similar funds group includes endowment funds and funds functioning as endowments (quasi-endowment). Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be utilized. All of the University's endowments require the income to be used for specified purposes. While quasi-endowment funds have been established by the governing board for the same purposes as permanent endowment funds, subject to any restrictions imposed by the donor of the resources, any unrestricted portion of the principal as well as income may be expended at the discretion of the governing board. The term "principal" is construed to include the original value of an endowment and subsequent additions and realized gains/losses attributable to investment transactions.

#### **Plant Funds**

The plant funds group consists of three self-balancing subgroups: (1) unexpended plant funds, (2) funds for retirement of indebtedness, and (3) investment in plant. The three subgroups are combined for reporting purposes. Separate balance sheet and statement of changes in fund balances for the three subgroups are presented in Note 10. The unexpended plant funds subgroup accounts for the resources derived from various sources and any debt related to unexpended resources to finance the acquisition of long-life assets and to provide for routine renewal and replacement of existing plant assets, all construction in progress, and debt related to expended or unexpended resources included in this fund subgroup. Receipts legally designated solely for plant improvements or renewals and replacements are recorded directly in the University's plant funds as revenue. The retirement of indebtedness subgroup accounts for resources that are specifically accumulated for interest and principal payments, debt service reserve funds, and other debt service charges related to plant fund indebtedness except for capital leases. Receipts legally restricted for debt service for state institution bonds are recorded directly in the retirement of indebtedness subgroup. The investment in plant subgroup accounts for all long-life assets in the service of the University and related debt for funds borrowed and expended for the acquisition of plant assets included in this fund subgroup. Net investment in plant represents the excess of the carrying value of plant assets over the related liabilities.



**Agency Funds**

The agency funds group accounts for the assets held on behalf of others in the capacity of custodian or fiscal agent; consequently, transactions relating to agency funds do not affect the operating statements of the University. They include the accounts of students, student organizations, University Medical Associates, and other groups directly associated with the University.

**Investment in Plant**

Physical plant and equipment and equipment acquired under capital lease are stated at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Equipment additions purchased through capital leases or installment purchase contracts are capitalized in the investment in plant funds subgroup in the year of acquisition at their total cost, excluding interest charges. Equipment under capital leases is stated at the lower of the present value of minimum lease payments, including the down payment, at the beginning of the lease term or fair value at the inception of the lease. Payments of principal and interest on such contracts are recorded in the applicable functional expenditure categories of the current funds group as the installments are paid. Infrastructure assets include streets, sidewalks, parking lots, drainage systems, lighting systems, utility systems, and similar assets that are immovable and of value only to the University which reports these assets as land improvements and values them at cost.

Construction in progress is valued at total cost less noncapitalized costs in the unexpended plant funds subgroup when the costs are incurred. Upon completion of the project, these capitalized costs are recorded as expenditures in unexpended plant funds and simultaneously transferred to the investment in plant subgroup and recorded in the appropriate asset accounts.

Library books, periodicals, and other library materials on computer data storage devices are recorded at cost or fair market value at the date of donation. Current funds expenditures for acquisition of capital assets are simultaneously recorded in both the current funds expenditure accounts of the various operating departments and in the investment in plant funds subgroup.

Computer software includes the external direct costs of materials and services consumed in developing or obtaining internal-use computer software; payroll and payroll-related costs for employees who are directly associated with and who devote time to the internal-use computer software project; interest costs incurred when developing computer software; and costs to develop or obtain software that allows for access or conversion of old data by new systems. These costs are incurred during the application development stage. The cost of computer software developed or obtained for internal use is amortized on a straight-line basis over the estimated useful life of the software.

The University capitalizes major additions and renovations to plant assets; qualifying equipment with unit value in excess of \$5,000 and a useful life in excess of 2 years; qualifying software with a unit value of \$100,000 and a useful life in excess of one year; and library material purchases at cost.

When plant assets are sold, retired, or otherwise disposed of, the carrying value at cost, estimated historical cost, or fair market value at date of gift, where applicable, is removed from the investment in plant subgroup. The discarded library volumes are removed annually from the investment in plant subgroup at average cost. In accordance with practices followed by governmental educational institutions, depreciation on physical plant and equipment is not recorded.

Property and equipment of the component units are valued at cost and are depreciated using the straight-line method over the estimated useful lives of the respective assets. Useful lives range from 10 to 20 years for land improvements, from 5 to 40 years for buildings and building services, from 3 to 23 years for equipment, from 7 to 39 years for leasehold improvements, and from 10 to 40 years for capitalized leased assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized as leasehold improvements. When property or equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized.

**Capitalized Interest**

The University capitalizes as a component of construction in progress interest cost in excess of earnings on debt associated with the capital projects. In the event that interest earnings exceed interest cost, construction in progress is decreased. Therefore, asset values in the investment in plant subgroup include such capitalized interest.

### ***Cash and Cash Equivalents***

The amounts shown in the financial statements in University funds as “cash and cash equivalents” represent petty cash, cash on deposit with the State Treasurer, cash invested in various instruments by the State Treasurer as part of the State’s internal cash management pool, and cash invested in various short-term instruments by the State Treasurer and held in separate agency accounts. For the component units, cash and cash equivalents include cash on hand, cash on deposit and repurchase agreements with local banks, and certain funds invested with investment managers. The component units consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. In addition, the Authority’s cash and cash equivalents include proceeds from various bond issues invested in various instruments by the State Treasurer as part of the State’s internal cash management pool.

Most State agencies including the University participate in the State’s internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements and certain corporate bonds. For credit risk information pertaining to the internal cash management pool, see the deposits disclosures in Note 3.

The State’s internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund’s equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The University records and reports its deposits in the general deposit account at cost. The University reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the University’s special deposit accounts is posted to the University’s account at the end of each month and is retained by the University. Interest earnings are allocated based on the percentage of the University’s accumulated daily interest income receivable to the total income receivable of the pool. Reported interest and investment income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year end based on the University’s percentage ownership in the pool.

Some of the University’s accounts with the State Treasurer are not included in the State’s internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term, highly liquid securities having an initial maturity of three months or less at the time of acquisition.

For the University’s funds not held by the State Treasurer, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

### ***Accounts and Loans Receivable***

The Authority and University Medical Associates grant credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Bad debt and contractual allowances for loans receivable and various accounts receivable including patient accounts receivable, for the University and the Authority are established based upon losses and adjustments experienced in prior years and evaluations of the current account portfolios. UMA calculates actual contractual adjustment write-offs and actual bad debt write-offs for the year as a percentage of gross charges processed during the year. These percentages are then applied to the accounts receivable balance to determine the ending allowance balances. Historically, this method has provided adequate allowances for both contractual adjustments and bad debts.

Pharmaceutical Education Development Foundation’s contracts receivable at June 30, 2001, consist of accounts with pharmaceutical companies of various sizes in various geographical areas throughout the world. For the year ended June 30, 2001, PEDF received approximately 36% of its sales/contract income under contracts from three customers. The allowance for doubtful accounts of PEDF is based on management’s evaluation of outstanding accounts receivable at the end of the year.

MUSC Foundation for Research Development writes off accounts receivable when deemed uncollectible. Management did not record an allowance for uncollectible accounts based on its review of the accounts.

### ***Fair Value of Financial Instruments***

The fair value of UMA’s long-term receivables and long-term debt approximates carrying amounts on the balance sheet. The interest rate swap agreements referred to in Note 6 are off-balance sheet derivative financial instruments held for



purposes other than trading and their aggregate estimated fair value at June 30, 2001 is approximately a \$16,400,000 liability. Fair value amounts are estimated by management based on available market information and appropriate valuation methodologies.

### ***Gifts and Other Nonexchange Transactions***

Nonexchange transactions involving financial or capital resources are transactions in which the University either gives value to another party without directly receiving equal value in exchange or receives value from another party without directly giving equal value in exchange. The type of nonexchange transactions the University engages in is “voluntary nonexchange transactions” (certain grants and donations).

Voluntary nonexchange transactions usually involve eligibility requirements that must be met before transactions are recognized. The eligibility requirements can include one or more of the following:

- a) The recipient has the characteristics specified by the provider.
- b) The recipient has met the time requirements specified by the provider (i.e., the period when the resources are required to be used, disbursed or consumed, or the period when use is first permitted has begun or the resources are being maintained intact, as specified by the enabling legislation or the provider.)
- c) The provider offers resources on a reimbursement basis and the recipient has incurred allowable costs under the applicable program.
- d) The provider's offer of resources is contingent upon a specified action of the recipient and that action has occurred.

Promises of cash or other assets from nongovernmental entities are recognized when all eligibility requirements are met, provided the promise to give is verifiable and the resources are measurable and probable of collection.

Gifts are a type of nonexchange transaction. Gifts include resources donated to the University for unrestricted or restricted institutional purposes. Unrestricted gifts are recognized as revenue in unrestricted current funds when all applicable eligibility requirements have been met. Restricted current funds gifts are recognized as additions to fund balances in the statement of changes in fund balances when the gift resources are received or promised (i.e., the earlier of when the University receives the resources or when the donor announces the gift or notifies the university of the gift if the promise is verifiable and the resources are measurable and probable of collection). Restricted current funds gifts are recognized as revenue on the statement of current funds to the extent that such funds are expended for the restricted purposes during the current year when all eligibility requirements have been met. Other restricted gifts are recognized as additions in the applicable fund group/subgroup appropriate to the restricted purpose for which the resources were provided when received or promised.

Resources transmitted before the eligibility requirements are met are reported as advances by the provider and as deferred revenues by recipients. Deferred revenue applicable to gifts and other voluntary nonexchange transactions amounted to \$844,921 as of June 30, 2001.

### ***Prepaid Items***

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of insurance premiums, subscriptions, maintenance contracts, lease payments, and deposits on equipment not yet received. The Authority's amounts consist primarily of insurance premiums, health insurance premiums, equipment maintenance contracts, and deposits on equipment not yet received. University Medical Associates' amounts consist primarily of prepaid lease payments. PEDF's and MFRD's amounts consist primarily of prepaid insurance premiums.

### ***Deferred Charges and Intangible Assets***

Deferred charges for bond issuance costs of University Medical Associates and Medical University Facilities Corporation are reported as assets and are amortized over the lives of the bond issues on a straight-line basis. Amortization of these charges in the current fiscal year was \$215,745 for UMA and \$16,928 for MUFC. Accumulated amortization as of June 30, 2001, was \$362,886 and \$98,747 for UMA and MUFC, respectively.

Intangible assets of UMA consist primarily of amounts paid for goodwill, medical records, noncompete agreements, and other costs associated with the purchases of medical practices by UMA subsidiaries. These intangibles are being amortized over periods ranging from 5 to 15 years using the straight-line method. Amortization expense was \$509,616 in the current fiscal year.

### ***Deferred Loss on Refunding of Debt***

The deferred loss related to the partial refunding of UMA's 1994 and 1997 SAVRS Direct Note Obligations is amortized as a component of interest expense over the remaining terms of these obligations using the straight-line method. Amortization expense was \$50,321 in the current fiscal year.

### ***Rebatable Arbitrage***

Arbitrage involves the investment of proceeds from the sale of tax-exempt securities in a taxable investment that yields a higher rate, resulting in income in excess of interest costs. Federal law requires entities to rebate to the government such income on tax-exempt debt if the yield from those earnings exceeds the effective yield on the related tax-exempt debt issued. The federal government only requires that arbitrage be calculated, reported, and paid every five years or at maturity of the debt, whichever is earlier. However, the potential liability is calculated annually for financial reporting purposes. Arbitrage expenditures are valued using the rebate method. The expenditure and liability, if any, are recorded in the retirement of indebtedness subgroup and a reserve fund to liquidate the liability is established.

### ***Information Technology Costs***

Non-capitalizable information technology costs are separately budgeted and accounted for by functional classification.

### ***Intraentity Transactions and Balances***

Transfers between the University and its blended component units and among blended component units are reported as nonmandatory transfers. Similarly, receivables and payables between the University and its blended component units are reported as due from and due to other funds. Current amounts due to/from the same funds are reported net on the balance sheet only if there is a legal right to the offset. In addition, transfers and receivables/payables balances between the primary entity and its blended component units or among blended component units are classified separately as interfund transactions and balances.

Transactions that would be treated as revenue or expenditures if they involved organizations external to the University are accounted for as revenues and expenditures in the funds and for the component units involved. Reimbursement transactions for expenditures initially made by one fund or component unit that are applicable to another are recorded as expenditures in the reimbursing fund or component unit. Expenditures initially made by the University for related parties or other external parties and reimbursed by those parties are eliminated.

### ***Income Taxes***

The University and the Authority are political subdivisions of the State of South Carolina and are consequently exempt from federal and state income taxes.

Charleston Memorial Hospital, a component unit of the Authority, is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. CMH has been classified as other than a private foundation by the Internal Revenue Service.

University Medical Associates is a not-for-profit organization as described in Internal Revenue Code Section 501(c)(3) and related income is exempt from federal income tax under Code Section 501(a). In the event that the UMA's taxable subsidiaries have taxable income from time to time, each company is responsible for its respective income tax.

Medical University Facilities Corporation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income under Code Section 501(a). MUFC has been classified by the Internal Revenue Service as other than a private foundation.

As a not-for-profit organization described in Internal Revenue Code Section 501(c)(3), Pharmaceutical Education and Development Foundation is exempt from federal income taxes on related income under Code Section 501(a). PEDF has been classified by the Internal Revenue Service as other than a private foundation and bases its tax exempt status on the PEDF's support of the University.

MUSC Foundation for Research Development as a not-for-profit organization described in Internal Revenue Code Section 501(c)(3) has received exemption from federal income taxes on related income under Code Section 501(a). However, any income from certain activities not directly related to MFRD's tax exempt purpose would be subject to taxation as unrelated business income. In addition, MFRD qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and to be

classified as an organization that is not a private foundation under Section 509(a)(2).

### **Indirect Cost Recoveries**

The University records restricted current funds revenue for governmental and private grants and contracts in amounts equal to direct costs incurred. The University reports as unrestricted revenue recoveries of indirect costs applicable to sponsored programs at negotiated fixed rates for each year. The recoveries are also recorded as additions and deductions of restricted current funds. Indirect cost recoveries must be remitted to the State General Fund except those received under research and student aid grants which may be retained by the University. Also, after January 1, 1999, federal grants and contracts whose annual award is two hundred thousand dollars or less are exempted from the requirement to remit recoveries to the State General Fund.

### **Deferred Revenues**

Deferred revenues of the University consist primarily of student tuition and fees collected in advance for the summer and fall academic terms. Revenues are recognized in the period in which the sessions are predominantly conducted and services are provided or the semester for which the fee is applicable and earned. Also included are amounts arising from gifts and voluntary nonexchange transactions received before eligibility requirements, which are discussed under Gifts and Other Nonexchange Transactions, are met.

Deferred revenues of MUSC Foundation for Research Development and Pharmaceutical Education and Development Foundation represent the amount of cash that was collected on contracts for services that had not been performed at year end.

### **Fee Waivers**

Student tuition and fees revenues include all such amounts assessed against students (net of refunds) for educational purposes even in those cases in which there is no intention of collection. These revenue amounts are offset by equal expenditures. The amounts of such remissions or waivers are recorded and classified as scholarships and fellowships expenditures or as staff benefits in the applicable current funds functional expenditure categories. State law provides that educational fee waivers may be offered to no more than two percent of the undergraduate student body.

### **Educational Department Revenue**

Revenues from sales and services of educational departments generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from seminar fees, dental clinic services, pharmacy sales, and sales of supplies and other services.

### **Net Patient Service Revenue**

The Authority and University Medical Associates have agreements with third party payors including Medicare and Medicaid that provide for reimbursement at amounts different from established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. UMA is reimbursed by its major insurers (Medicare, Medicaid, and Blue Shield) based upon a fee schedule they have developed for physician services. These insurers audit UMA's claims at various times during the year.

### **Charity Care**

The Authority, CMH, and University Medical Associates provide care to patients who meet certain criteria under charity care policies without charge or at amounts less than established rates. Since management does not expect payment for charity care, the estimated charges are excluded from revenue.

The approximate amounts estimated for charity care using established rates and gross charges for charity care as a percentage of total gross charges for the year ended June 30, 2001, were as follows:

Medical University Hospital Authority	\$ 6,488,000	1.0%
Charleston Memorial Hospital	\$ 2,278,000	19.5%
University Medical Associates	\$ 4,296,000	1.9%

### **Revenue Recognition**

The MUSC Foundation for Research Development recognizes grant and contract revenue based upon work performed at the reporting date under specific contract terms. Billing of accounts may be delayed under specific contract terms. When billing is delayed, the MFRD recognizes revenue earned but not yet billed by recording unbilled accounts receivable. License fee and royalty income is recognized based on agreement milestones. The MFRD recognizes revenue from registration and seminar fees once the event has been completed.

### **Other Revenues**

Other revenues for the University consist primarily of rental revenue, Student Wellness Center revenues, and reimbursements from various hospitals for housestaff services.

### **Compensated Absences**

Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one half of the agency's workweek are entitled to accrue and carry forward at calendar year end maximums of 180 days sick leave and of 45 days annual vacation leave. The University's policy enables full-time faculty members to accrue and carry forward at fiscal year end a maximum of 45 days annual vacation leave. Policies regarding sick leave for nonteaching personnel also apply to faculty members. Any employee who works on a holiday is allowed to take compensatory time within one year. Upon termination of State employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory holiday leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is inventoried at fiscal year end current salary costs and the cost of the salary related benefit payments and is recorded in unrestricted current funds. The net change in the liability is recorded in the current year in the applicable current funds functional expenditure categories.

Generally, all Authority permanent full-time employees and certain part-time employees scheduled to work at least one half of the workweek are entitled to accrue and carry forward at calendar year end maximums of 180 days extended sick leave and 45 days annual vacation leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused extended sick leave. The accrued employee leave liability includes accrued annual vacation earned for which the employees are entitled to paid time off or payment at termination. The Authority calculates the accrued employee leave liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. This liability is inventoried at fiscal year end current salary costs and the cost of the salary related benefit payments and is recorded. The net change in the liability is recorded in the current year in the applicable expense categories.

University Medical Associates employees earn annual leave at rates varying between 10 and 20 days per year to a maximum of 30 days, depending on employee classification and length of service. The maximum annual carryover is 45 days. Employees that were formerly employed by the Professional Staff Office with accumulated annual leave in excess of the maximum carryover were allowed to retain the prior leave accumulated. The entire unpaid liability for which the employer expects to compensate employees through paid time off or cash payments, inventoried at fiscal year end current salary costs and the cost of the salary related benefit payments is recorded in operating expenses.

Regular employees of MUSC Foundation for Research Development are granted vacation benefits which accrue on a monthly basis. The employees are entitled to accrue vacation leave not to exceed 360 hours upon termination. Accumulated vacation leave is recorded at current fiscal year end salary costs as an expense and liability.

### **Fund-raising Costs**

The costs of fund-raising activities are reported in the institutional support functional category and do not included management and general or other program costs of the University. The costs of incidental fund-raising activities conducted in conjunction with other program activities are not separately reported. Incidental fund-raising costs are included in the related program expenditures of the appropriate functional category.

## Restricted and Unrestricted Revenue and Support

Contributions and other support received by MUSC Foundation for Research Development and Pharmaceutical Education and Development Foundation are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

## Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures/expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

## Totals - Memorandum Only Column

Amounts in the "Totals - Memorandum Only" columns of the balance sheet and the statement of changes in fund balances present an aggregation of the financial statement line items to facilitate financial analysis. Such amounts are not comparable to a consolidation and do not present financial information in conformity with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

## 2. STATE APPROPRIATIONS

The Medical University of South Carolina is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. State appropriations are recognized as revenue when received and available. Amounts that are not expended by fiscal year-end lapse and are required to be returned to the General Fund of the State unless the University receives authorization from the General Assembly to carry the funds over to the next year.

The original appropriation is the University's base budget amount presented in the General Funds column of Section 5MA and 5MC of Part 1A of the 2000-01 Appropriation Act. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the fiscal year ended June 30, 2001:

	AHEC	University	Total
Original Appropriation	\$ 15,726,266	\$ 91,473,042	\$ 107,199,308
State Budget and Control Board Allocations:			
Employee Base Pay Increases and Related			
Employee Benefits (Proviso 63C.9)	78,798	3,259,647	3,338,445
For Employer Match (Proviso 72.22)	3,520	173,460	176,980
Deferred Compensation Match	4,110	197,340	201,450
Appropriation Allocations from the State Commission on Higher Education:			
From Capital Reserve Fund Appropriations for Performance Funding (H.4776)	2,493,072	4,436,691	6,929,763
From the Children's Education Endowment Fund for:			
Palmetto Fellows Scholarship		25,000	25,000
Need-Based Grants		39,171	39,171
For Life Scholarships (2000 Act 453)		60,500	60,500
For Access and Equity Desegregation Funding (Proviso 5.A.5 and H3659)		39,892	39,892
For Performance Funding (Proviso 5.A.6.)	1,170,143	6,958,119	8,128,262
From the Higher Education matching gift fund for academic endowment match		208,159	208,159
Appropriation Transfer from Clemson University for Agromedicine Program		297,406	297,406
1% State Budget Mid-Year Reduction	(169,305)	(1,014,393)	(1,183,698)
State Appropriation Revenue	19,306,604	106,154,034	125,460,638
Less: Higher Education Grant/Scholarship Funding Reported in Restricted Current Funds		(332,830)	(332,830)
Funding Reported in Unrestricted Current Funds	\$ 19,306,604	\$ 105,821,204	\$ 125,127,808

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## THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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Proviso 72.48 of the 1999-2000 Appropriation Act authorized each agency to bring forward unspent State General Fund appropriations from the prior year into the current fiscal year up to a maximum of ten percent of its original appropriation less any appropriation reductions. Agencies which have separate carry-forward authority had to exclude the amount brought forward by such separate authority from their base for purposes of calculating the ten percent carry-forward. Pursuant to this proviso, the University brought forward \$492,305 to fiscal 2001.

In addition to the state appropriation revenue, the University received \$1,454,439 for Research Initiative Grants from the Commission on Higher Education from the Supplemental Appropriation of 2000 Surplus State General Fund revenues (Part IV of the 2001 Appropriation Act): This amount is reported as state grant revenue in the restricted current fund (\$903,312) and unrestricted current fund (\$551,127).

### 3. DEPOSITS AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer, who, by law, has sole authority for investing State funds. Deposits and investments of the University's component units are not under the State Treasurer's control.

The following schedule reconciles deposits and investments within the notes to the balance sheet amounts:

<u>Balance Sheet</u>		<u>Notes</u>	
Cash and cash equivalents:		The Medical University of South Carolina:	
The Medical University of South Carolina	\$ 74,586,508	Cash on hand	\$ 60,165
Medical University Hospital Authority	60,189,240	Deposits held by State Treasurer	74,526,343
University Medical Associates	23,396,516	Medical University Hospital Authority:	
Medical University Facilities Corporation	3,336,950	Cash on hand	12,360
Pharmaceutical Education and Development		Deposits held by State Treasurer	57,900,151
Foundation	171,755	Other deposits	(96,790)
MUSC Foundation for Research Development	<u>1,895,136</u>	Investments	2,373,519
Total cash and cash equivalents	<u>163,576,105</u>	University Medical Associates:	
Investments:		Cash on Hand	20,545
University Medical Associates	9,883,045	Other Deposits	3,782,534
Medical University Facilities Corporation:	529,168	Investments	29,476,482
MUSC Foundation for Research Development	<u>5,549,441</u>	Medical University Facilities Corporation	
Total investments	<u>15,961,654</u>	Other deposits	3,336,950
		Investments	529,168
		Pharmaceutical Education and Development	
		Foundation:	
		Other deposits	171,755
		MUSC Foundation for Research Development:	
		Other deposits	2,080,136
		Investments	<u>5,364,441</u>
Total	<u>\$ 179,537,759</u>	Total	<u>\$ 179,537,759</u>

#### ***Deposits Held by State Treasurer***

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

In the University's accounting records \$574,378 of the \$74,526,343 identified as "Deposits held by State Treasurer", is attributable to unrealized gains. As disclosed in Note 6, retirement of indebtedness funds include \$712,635 in restricted cash held by the State Treasurer for debt service reserve funds as required by the bond indentures.

In the Authority's accounting records, \$669,178 of the \$57,900,151 identified as "Deposits held by State Treasurer", is attributable to unrealized gains. As disclosed in Note 6, retirement of indebtedness funds include \$12,655,246 in restricted cash held by the State Treasurer for debt service reserve funds as required by the bond indentures. Also included in "Deposits held by State Treasurer" is approximately \$31,356,000 restricted deposits from bond proceeds and approximately \$12,778,000 restricted for debt service payments.

#### ***Other Deposits***

The governmental component units' other deposits are categorized to give an indication of the level of risk assumed by the entity at year end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover deposits if the depository financial institution fails or to recover the value of collateral securities

that are in the possession of an outside party if the counterparty to the deposit transaction fails. There are three categories of deposit credit risk as follows:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
3. Uninsured or uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.

At June 30, 2001, deposits of the governmental component units were as follows:

	Category			Bank	Reported
	1	2	3	Balance	Amount
Medical University Hospital Authority	1,566,908	—	—	1,566,908	(96,790)
University Medical Associates	447,806	—	2,016,927	2,464,733	3,782,534
Medical University Facilities Corporation	—	—	3,336,950	3,336,950	3,336,950

The Authority's deposits at June 30, 2001, were entirely covered by federal depository insurance or were collateralized with securities held by each entity's agent in each entity's name. The Authority's other deposits include approximately \$27,000 of restricted debt proceeds.

As of June 30, 2001, University Medical Associates' balances included certificates of deposit with carrying amounts totaling \$1,157,835 of which \$957,835 serve as collateral for a loan of Lowcountry Real Property, LLC. The certificates of deposit are included in investments on the balance sheet.

At June 30, 2001, Medical University Facilities Corporation's balance included \$1,824,363 for restricted debt service reserve fund (see Note 6).

Pharmaceutical Education and Development Foundation maintains its cash accounts at one financial institution. All cash accounts are insured in aggregate by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2001, PEDF's bank balances totaled approximately \$172,000, of which \$100,000 was covered by FDIC.

MUSC Foundation for Research Development maintains cash and cash equivalent accounts at several financial institutions. Accounts maintained at banking institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. Cash and cash equivalents exceeding federally insured limits totaled approximately \$62,544 at June 30, 2001. Cash accounts maintained at investment firms are insured by the Securities Investor Protection Corporation (SIPC) up to \$100,000 per institution. Under SIPC coverage, money market funds are considered securities and are covered under higher limits. At June 30, 2001, MFRD's cash balance at one investment firm exceeded SIPC insurance coverage by \$1,162,292. This amount is fully protected by supplemental insurance provided by the investment firm.

## Investments

Investments are stated at fair value. Purchases and sales are accounted for on the transaction date. Bond discounts and premiums are amortized.

The University and the governmental component units' investments are categorized to give an indication of the level of risk assumed by the entity at year end. The credit risk categories are concerned with custodial credit risk, which is the risk that a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party if the counterparty to the investment transaction fails. There are three categories of investment credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

At June 30, 2001, the investment balances were as follows:

	Category			Fair Value
	1	2	3	
Medical University Hospital Authority				
Repurchase agreements	<u>\$ 2,373,519</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,373,519</u>
University Medical Associates				
Repurchase agreements	\$ —	\$ —	\$ 17,714,746	\$ 17,714,746
Municipal Bonds	—	—	4,318,078	4,318,078
Federal Home Loan Bank Bonds	—	—	3,563,165	3,563,165
Total categorized investments	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 25,595,989</u>	25,595,989
Investments not subject to categorization:				
Mutual funds				843,967
Money market funds				3,036,526
Total investments				<u>\$ 29,476,482</u>



The highest balance of repurchase agreements during the year in category 3 was approximately \$1,800,000 and \$19,525,000 for The Medical University Hospital Authority and University Medical Associates, respectively. UMA makes overnight investments in repurchase agreements and the balance invested depends on daily cash collections. As of June 30, 2001, the UMA investments included the \$10,917,769 restricted debt service reserve fund (see Note 6).

For Medical University Facilities Corporation legally authorized investments include government and government agency obligations; deposits that are fully insured by FDIC; short-term bank obligations which are rated A-1+ by Standard and Poor's Corporation (S&P); repurchase agreements meeting certain requirements; various debt obligations, money market funds, and other securities meeting certain S&P rating levels; and investment contracts satisfactory to S&P. Medical University Facilities Corporation investments consist of investment agreements under which they are to be paid interest with guaranteed rates from 5.78% to 6.2% and open ended maturity dates. These investments are not subject to credit risk categorization and their fair value is not readily determinable. As of June 30, 2001, the MUFC investments included the \$213,000 restricted debt service reserve fund (see Note 6).

Investments of MFRD at of June 30, 2001, consisted of government debt securities, commercial paper and stock with amortized cost of \$5,265,225, fair value of \$5,364,441, and unrealized appreciation of \$99,216.

### **Investments in Partnerships**

UMA accounts for investments in partnerships either by the cost or equity method. If UMA is a 20% or more owner and exercises significant influence over the company, then UMA records the investment under the equity method, whereby UMA's percentage of the net profit/loss increases or decreases the investment and the gain/loss is recorded in the income statement. If UMA owns less than 20%, the investment is recorded at cost.

On May 8, 1998, Carolina Primary Care Physicians, P.A., a blended component unit of UMA, entered into a partnership with several physicians and medical practices by purchasing a 35% interest in Lowcountry Medical Group, LLC (LCMG). This investment was originally recorded on the equity method. UMA's ownership interest increased to 38.89% from 35% due to members exiting LCMG during the year ended June 30, 2000. UMA's investment in the partnership at June 30, 2001, is \$2,733,758. For the year ended June 30, 2001, distributions received and reflected as investment income were \$35,805.

During the year ended June 30, 2000, the members of LCMG invested in Lowcountry Real Property LLC (LCRP). UMA made an initial contribution of \$350 to acquire a 35% interest in LCRP. UMA's ownership interest increased to 38.89% from 35% due to members exiting LCRP during the year ended June 30, 2000. This investment was originally recorded on the cost method. At June 30, 2001, UMA's investment is \$888,719.

During the year ended June 30, 2001, both investments were reevaluated due to certain facts which limit the ability of UMA to exercise significant influence over the operations of both partnerships. Upon review of the operating agreements of LCMG and LCRP, all powers to control normal operations are exercised exclusively by the managers except for veto authority over certain transactions affecting acquisition or disposition of significant assets or changes to the members of each partnership. UMA has not exercised veto authority since the inception of the investments. Employees of UMA are precluded from serving as managers which are named from the member practitioners.

Based upon this review of the governing documents of LCMG and LCRP, it was determined that UMA lacks the required ability to significantly influence normal operations of each partnership and thus does not qualify for use of the equity method of reporting. Both investments are recorded on the cost method beginning July 1, 2000.

## **4. INVENTORIES**

The Authority values supply inventories at the lower of cost, using the first-in first-out method, or replacement market. The following is a summary by location of values at June 30, 2001.

Operating room	\$ 6,589,655
Central supply	462,592
Pharmacy	3,339,644
Other	<u>210,783</u>
	<u>\$ 10,602,674</u>

Inventory of Pharmaceutical Education and Development Foundation, which consists of pharmaceutical ingredients and supplies, is valued at cost using the first-in, first-out method.



## 5. STATE CAPITAL IMPROVEMENT BONDS

In the current and prior fiscal years, the State authorized funds for improvements and expansion of University facilities using the proceeds of state capital improvement bonds. As capital projects are authorized by the State Budget and Control Board, the bond proceeds are allocated to the projects. When the funds are authorized, the University records the proceeds as revenue and the bond issue costs as expenditures in the unexpended plant funds subgroup. The University is not obligated to repay these funds to the State. These authorized funds can be requested as needed once State authorities have given approval to begin specific projects. The total balance receivable for the undrawn portions of the authorizations is reported in the balance sheet as "capital improvement bonds proceeds receivable" in the unexpended plant funds subgroup. The \$6,300,000 in bond proceeds allocated by Act 1 of 2001 was to fund an expansion of the College of Dental Medicine.

A summary of the activity in the balances available from this authorization during the year ended June 30, 2001 follows:

Act	Total Authorized	Amount Drawn in Prior Years	Amount Drawn in Fiscal Year Ended June 30, 2001	Balance Authorized June 30, 2001
I of 2001	\$ 6,300,000	\$ —	\$ —	\$ 6,300,000
28 of 1999	10,000,000	—	—	10,000,000
III of 1997	<u>8,752,086</u>	<u>3,467,377</u>	<u>3,378,146</u>	<u>1,906,563</u>
	<u>\$ 25,052,086</u>	<u>\$ 3,467,377</u>	<u>\$ 3,378,146</u>	<u>\$ 18,206,563</u>

## 6. BONDS, CERTIFICATES OF PARTICIPATION, AND NOTES PAYABLE

### Bonds Payable

At June 30, 2001, the University's bonds payable consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2001
State Institution Bonds			
1991 C series dated 5/17/91	6%	03/01/06	\$ 1,875,000
1992 A series dated 5/1/92	5.9 - 6%	03/01/07	3,280,000
1996 A series dated 7/1/96	4.8 - 5.4%	03/01/11	2,510,000
2000 series dated 4/1/00	4.8 - 6.25%	03/01/20	27,370,000
Parking Facilities Revenue Bonds			
1986 series dated 12/3/86	7.1 - 7.375%	07/01/06	<u>3,170,000</u>
Total			38,205,000
Less: Amount Included in Unexpended Plant Fund			<u>27,370,000</u>
Amount Included in Investment in Plant			<u>\$ 10,835,000</u>

The various bond indentures restrict the use of particular revenue sources. State Institution Bonds are general obligation bonds of the State backed by the full faith, credit, and taxing power of the State. Student tuition paid to the University is restricted up to the amount of the annual debt requirements for the payment of State Institution Bonds. Parking fees, except on the Harborview Tower parking facility, paid to the University are restricted for the payment of principal and interest on parking facilities revenue bonds. The parking facilities revenue bonds series 1986 require the University to provide net revenues available for debt service of not less than 120% of the debt service payments to become due in each bond year beginning with the bond year beginning July 1, 1987. In fiscal year 2001, parking fees of \$709,043 were transferred to the retirement of indebtedness funds. In addition, the University must establish and maintain various funds with the State Treasurer for payment of principal and interest for its parking revenue bonds.

At the option of the University, the parking facilities revenue bonds may be redeemed prior to maturity in whole at any time or if in part in inverse order of maturity and only on a bond payment date. The redemption dates range from July 1, 2001, to July 1, 2006, at the redemption price (expressed as a percentage of par) of 100.

The State institution bonds issued for the University are subject to redemption at the option of the State, in whole or if in part in inverse chronological order of maturity. The redemption dates range from September 1, 2001, to March 1, 2020, and the redemption price (expressed as a percentage of par) ranges from 102 to 100.

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## THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the revenue bond obligations as of June 30, 2001, are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 490,000	\$ 221,318	\$ 711,318
2003	525,000	185,628	710,628
2004	560,000	147,352	707,352
2005	605,000	106,096	711,096
2006	650,000	61,093	711,093
Thereafter	340,000	12,538	352,538
Total	<u>\$ 3,170,000</u>	<u>\$ 734,025</u>	<u>\$ 3,904,025</u>

Amounts as of June 30, 2001, including interest required to complete payment of the State general obligation bonds issued for the University are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 1,645,000	\$ 1,893,779	\$ 3,538,779
2003	1,745,000	1,796,251	3,541,251
2004	1,840,000	1,692,081	3,532,081
2005	1,940,000	1,582,081	3,522,081
2006	2,165,000	1,465,819	3,630,819
Thereafter	25,700,000	10,139,848	35,839,848
Total	<u>\$ 35,035,000</u>	<u>\$ 18,569,859</u>	<u>\$ 53,604,859</u>

Total principal payments on bonds for the year ended June 30, 2001 were \$2,020,000. Total interest expense relating to bonds payable for the year ended June 30, 2001 was \$2,151,748.

Receipts from tuition, matriculation fees, and other fees legally designated solely for the purpose of debt retirement for State general obligation bonds issued for the University are recorded directly in the funds for retirement of indebtedness as student tuition and fees revenues. Mandatory transfers from auxiliary enterprises revenue for debt retirement on parking facilities revenue bonds are reflected as transfers from the unrestricted current funds to the funds for retirement of indebtedness subgroup of the plant funds group.

### **Hospital Facilities Revenue Bonds Payable**

At June 30, 2001, the Authority's hospital facilities revenue bonds payable consisted of the following:

	Interest Rates	Maturity Dates	Balance June 30, 2001
1990 A series dated 7/17/90	7 - 7.2%	07/01/05	\$ 26,735,000
1990 B series dated 7/17/90	7 - 7.2%	07/01/05	4,480,000
1993 series dated 6/1/93	5.25 - 5.6%	07/01/13	18,740,000
1999 series dated 8/1/99	5.5 - 6%	07/01/19	53,035,000
Total			<u>\$ 102,990,000</u>

All revenue or other monies attributable to Authority facilities, except those monies which are restricted by donors or other sources for purposes inconsistent with their use for debt service, are pledged for the payment of principal and interest on the hospital facilities revenue bonds. In addition, the Authority must establish and maintain various funds with the State Treasurer for payment of principal and interest for its hospital facilities revenue bonds. Payment of the principal and interest of the 1993 series hospital facilities revenue bonds is insured under a municipal bond insurance policy.

With the exception of the 1993 series, the hospital facilities revenue bonds may be redeemed at a premium or at par prior to the mandatory redemption dates and final maturities at the option of the Authority. The bond redemption dates range between July 1, 2001, and July 1, 2020, and the redemption price (expressed as a percentage of par) ranges from 102 to 100. The 1993 series is not subject to optional redemption.

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All of the bonds are payable in semiannual installments plus interest. Amounts including interest required to complete payment of the revenue bond obligations as of June 30, 2001, are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 6,450,000	\$ 6,074,245	\$ 12,524,245
2003	8,640,000	5,576,778	14,216,778
2004	9,205,000	4,994,670	14,199,670
2005	9,810,000	4,370,393	14,180,393
2006	10,470,000	3,701,133	14,171,133
Thereafter	<u>58,415,000</u>	<u>24,367,112</u>	<u>82,782,112</u>
Total	<u>\$ 102,990,000</u>	<u>\$ 49,084,331</u>	<u>\$ 152,074,331</u>

Total principal payments on bonds for the year ended June 30, 2001, were \$6,045,000. Total interest expense relating to bonds payable for the year ended June 30, 2001, was \$6,291,283.

### ***Lease Revenue Bonds Payable***

On September 20, 1995, Medical University Facilities Corporation issued lease revenue bonds series 1995A in the amount of \$12,729,000 and series 1995B in the amount of \$472,000. Related bond issue costs totaling \$356,900 were capitalized as deferred charges to be amortized over the lives of the bonds. The bonds were issued for the purpose of providing a portion of the payment for the costs of completing the acquisition and construction of the Strom Thurmond Biomedical Research Center. Interest rates range from 7.45% to 7.5%. The final maturity is in 2016, and the bonds are secured by the rental payments received under the capital lease as detailed in Note 9. The bond covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the lease revenue bonds. Medical University Facilities Corporation paid \$384,000 in principal and incurred \$884,416 in interest expense on these bonds for the year ended June 30, 2001. The bonds may be redeemed, at the option of the Medical University Facilities Corporation, as directed by the University, in whole at any time or in part on any bond payment date at a redemption price equal to the principal to be redeemed plus accrued interest.

The future debt service requirements for the lease revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 412,000	\$ 862,470	\$ 1,274,470
2003	444,000	831,173	1,275,173
2004	478,000	797,491	1,275,491
2005	513,000	761,201	1,274,201
2006	554,000	722,228	1,276,228
Thereafter	<u>9,274,000</u>	<u>4,328,862</u>	<u>13,602,862</u>
Total	<u>\$ 11,675,000</u>	<u>\$ 8,303,425</u>	<u>\$ 19,978,425</u>

### ***Certificates of Participation Payable***

Medical University Facilities Corporation issued certificates of participation dated December 1, 1991, which require a principal payment on January 1 of each year and interest payments each January 1 and July 1. Interest rates range from 5.6% to 7.5%. The final maturity is in 2013, and the certificates are secured by the rental payments received under the capital lease (see Note 9) which correspond in amount and timing to the debt service payments detailed below. The covenants require that MUFC establish and maintain funds with a trustee for the payment of principal and interest on the certificates of participation. Medical University Facilities Corporation paid \$670,000 in principal and incurred \$1,126,537 in interest expense for the year ended June 30, 2001, on the certificates of participation payable. In the event that the University exercises its option to purchase the Medical University Facilities Corporation's interest in Harborview Office Tower, the certificates may be redeemed beginning January 1, 2002, at a premium prior to the mandatory redemption dates and final maturities at the option of the University. The redemption dates range between January 1, 2002, and January 1, 2005, and the redemption price (expressed as a percentage of the principal) ranges from 103 to 100.

The future debt service requirements for the certificates of participation are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 720,000	\$ 1,101,831	\$ 1,821,831
2003	775,000	1,048,731	1,823,731
2004	830,000	991,575	1,821,575
2005	890,000	930,363	1,820,363
2006	960,000	863,612	1,823,612
Thereafter	<u>10,845,000</u>	<u>3,733,900</u>	<u>14,578,900</u>
Total	<u>\$ 15,020,000</u>	<u>\$ 8,670,012</u>	<u>\$ 23,690,012</u>

### Direct Note Obligations

In fiscal year 1995, UMA issued \$55,000,000 in Direct Note Obligations, Series 1994 Select Auction Variable Rate Securities. On December 1, 1997, UMA issued an additional \$40,000,000 in Direct Note Obligations, Series 1997 Select Auction Variable Rate Securities. The Direct Note Obligations were issued for the purpose of providing payment for the costs of prepayment of its noncancelable lease obligation with Health Science Foundation and renovating and equipping Rutledge Tower. On December 31, 1999, UMA issued \$85,000,000 in Direct Notes Obligations, Series 1999A (\$39,400,000) and Series 1999B (\$45,600,000) Select Auction Variable Rate Securities. The proceeds were used to partially refund \$43,600,000 of 1994 and \$34,450,000 of 1997 Select Auction Variable Rate Securities and pay down two lines of credit. The current refunding met the requirements of a legal defeasance and the refunded portion of the Series 1994 and 1997 were removed from UMA's balance sheet.

As a result of the current refunding, UMA reduced its total debt service requirements by approximately \$19,400,000 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$10,600,000.

The variable rate of interest is set every 35 days on the direct note obligations. The obligations can be converted to fixed rate obligations at the option of UMA, with the consent of the bond insurer, at a rate to be determined by market conditions at the time of conversion.

UMA has entered into an interest rate swap agreement on \$10,000,000 of the remaining Series 1994, on the \$39,400,000 of the Series 1999A, and on the \$45,600,000 of the Series 1999B direct note obligations. Based on the swap agreement, UMA owes interest calculated at a fixed rate of 6.82% on the \$10,000,000 issue, 6.82% on the \$39,400,000, and 5.7% on the \$45,600,000 issue. If the actual floating variable rate exceeds these rates, the counterparty pays the differential to UMA. If the actual floating variable interest rate is less than these rates, UMA pays the counterparty. During the term of the swap agreement UMA effectively pays a fixed rate on the debt. UMA will be exposed to variable rates if the counterparty to this swap defaults or if the swap is terminated. During the year ended June 30, 2000, UMA received \$1,850,000 from the counterparty as a result of modification of the interest rate swap agreements that could adversely affect the interest swap payments if certain triggering events occur in the future. The liability is being amortized as a component of interest expense over the terms of the related obligations using the straight-line method. As of June 30, 2001, the liability was \$1,760,069, net of accumulated amortization of \$89,931. Current year amortization expense was \$89,931. For the year ended June 30, 2001, total interest costs incurred were \$6,759,371.

The Direct Note Obligations are subject to optional redemption at the option of the issuer on the second business day immediately preceding the regular interest payment date at 100% of the principal amount thereof plus accrued and unpaid interest. Payment of the principal and interest on the direct note obligations is insured under a bond insurance policy. The insurance policy will pay any remaining balance after debt service reserve funds are exhausted.

Direct Note Obligations, Series 1994, 1997, 1999A and 1999B Select Auction Variable Rate Securities outstanding at June 30, 2001, were \$100,150,000. Debt service requirements to maturity are as follows:

Year Ending June 30.	Principal	Interest	Total
2002	\$ 1,750,000	\$ 6,357,682	\$ 8,107,682
2003	1,400,000	6,739,108	8,139,108
2004	2,450,000	6,158,098	8,608,098
2005	1,900,000	6,423,545	8,323,545
2006	2,400,000	5,934,972	8,334,972
Through 2027	<u>90,250,000</u>	<u>71,728,056</u>	<u>161,978,056</u>
Total	<u>\$ 100,150,000</u>	<u>\$ 103,341,461</u>	<u>\$ 203,491,461</u>

The obligation is collateralized by unrestricted receivables and leasehold property leased from Health Sciences Foundation (see Notes 9 and 12). Under the terms of the obligation agreement, interest, sinking, and debt service reserve funds were established with the master trustee and will be maintained as long as the obligations remain outstanding. The agreement, among others, limits incurrence of additional borrowing, disposition of certain properties, and requires that UMA satisfy certain measures of financial performance as long as the notes are outstanding.

### Notes Payable

The Authority has two lines of credit dated June 28, 2001, with a financial institution totaling \$31,000,000 and bearing interest at 116% of the 30-day LIBOR rate. The notes mature on December 28, 2001 and interest is payable monthly. The Authority incurred \$412,980 in interest expense on these notes in fiscal year 2001. The two notes are secured by a junior lien on all hospital revenues. The outstanding balance at June 30, 2001 was \$9,206,000.

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In fiscal year 1999, the Authority borrowed \$9,306,285 from a local bank. The note bears interest at the rate of 4.3% per annum and is payable in quarterly installments of \$830,775 including principal and interest. The financial institution holds a security interest in the equipment purchased using the funds. The final payment is due April 1, 2002.

In fiscal year 2000, the Authority borrowed \$11,603,739 from a local bank. The note bears interest at the rate 5.6% per annum and is payable in quarterly installments of \$1,057,386 including principal and interest. The financial institution holds a security interest in the equipment purchased using the funds. The final payment is due April 1, 2003.

The Authority paid \$6,904,064 in principal and incurred \$698,777 in interest expense on these notes in fiscal year 2001. Amounts required to complete payment of the notes as of June 30, 2001 are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 7,950,476	\$ 506,944	\$ 8,457,420
2003	<u>3,085,082</u>	<u>87,075</u>	<u>3,172,157</u>
Total	<u>\$ 11,035,558</u>	<u>\$ 594,019</u>	<u>\$ 11,629,577</u>

University Medical Associates has two notes payable collateralized by various medical equipment. These notes mature May 1, 2004, and require sixty monthly payments of \$4,097 which includes interest at 8%. UMA also has an outstanding note with a medical practice payable in two installments during fiscal year 2001 of \$21,753. The scheduled maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 75,004	\$ 8,836	\$ 83,840
2003	39,032	5,446	44,478
2004	<u>41,527</u>	<u>1,772</u>	<u>43,299</u>
Total	<u>\$ 155,563</u>	<u>\$ 16,054</u>	<u>\$ 171,617</u>

UMA entered into a structured legal settlement of \$5,200,000 with the United States of America dated April 4, 2000. A \$1,000,000 principal payment was paid during the year ended June 30, 2000. The remainder of the settlement is payable in five equal annual installments of \$840,000 plus interest at the Federal Funds rate on each anniversary date of the settlement agreement. The scheduled maturities are as follows using the Federal Funds rate in effect at June 30, 2001:

Year Ending June 30,	Principal	Interest	Total
2002	\$ 840,000	\$ 217,392	\$ 1,057,392
2003	840,000	163,044	1,003,044
2004	840,000	108,696	948,696
2005	<u>840,000</u>	<u>54,348</u>	<u>894,348</u>
Total	<u>\$ 3,360,000</u>	<u>\$ 543,480</u>	<u>\$ 3,903,480</u>

University Medical Associates has two lines of credit with two financial institutions with a maximum borrowing limit of \$11,700,000 at one financial institution (60%) and \$7,800,000 at the other (40%), for a total of \$19,500,000 bearing interest at the 30 day LIBOR rate plus 2.75%. Loan proceeds, repayments, interest payments and fees must be allocated between the financial institutions according to the ratios indicated. The agreement expires on December 31, 2001, and the obligations are collateralized by the unrestricted receivables of UMA. There was a total of \$19,500,000 outstanding as of June 30, 2001. Total interest expense on notes payable was approximately \$1,232,000 for the year.

Pharmaceutical Education and Development Foundation has three unsecured notes payable. The first is dated December 14, 2001, due in eleven monthly payments at an interest rate of 11.76% and the balance at June 30, 2001 was \$54,451. The second is dated May 2, 2001, due in nine monthly payments at an interest rate of 11.5% and the balance at June 30, 2001 was \$21,478. The third is dated May 2, 2001, due in nine monthly payments at an interest rate of 15.35% and the balance at June 30, 2001 was \$5,294.

PEDF has an interest free loan payable to the Health Sciences Foundation. At June 30, 2001, the balance of the loan was \$6,161,140 which is included in other liabilities. The loan is to be used to finance capital improvements and provide working capital. Provisions of this debt call for voting board seats and conversion to equity rights. Included in the \$6,161,140 was \$41,610 of interest expense on a line of credit the Health Sciences Foundation had taken to fund PEDF's cash flow.

## Reserve Funds

The debt service reserve requirements and balances for the University, the Authority, University Medical Associates, and Medical University Facilities Corporation at June 30, 2001, consisted of the following:

	Reserve Requirement at June 30, 2001	Reserve Balance at June 30, 2001
The Medical University of South Carolina:		
Parking Facilities Revenue Bonds	\$ 711,318	\$ 712,635
Medical University Hospital Authority:		
Hospital Facilities Revenue Bonds	10,004,890	12,655,246
University Medical Associates:		
Direct Note Obligations	9,080,953	10,917,769
Medical University Facilities Corporation:		
Certificates of Participation	1,824,363	1,824,363
Lease Revenue Bonds	213,000	213,000

## 7. MEDICARE AND CHAMPUS COST REIMBURSEMENTS

Services provided patients under the Medicare and Champus programs are reimbursed at tentative rates with final settlements determined after submission of annual cost reports and audits by fiscal intermediaries.

At June 30, 2001, the Authority's amounts due (to) from Medicare and Champus (subject to final settlement) are as follows:

Period Ended June 30,	Medicare	Champus	Total
2001	\$ 3,944,663	\$ 1,440,000	\$ 5,384,663
2000	(350,733)	—	(350,733)
1999	1,574,143	—	1,574,143
1998	44,828	—	44,828
1997	(1,672,344)	—	(1,672,344)
1996	135,457	279,046	414,503
1995	319,430	(385,723)	(66,293)
1994	—	(214,020)	(214,020)
1993	(1,566,527)	—	(1,566,527)
Net due (to) from June 30, 2001	<u>\$ 2,428,917</u>	<u>\$ 1,119,303</u>	<u>\$ 3,548,220</u>

Adjustments to cost reimbursements are recorded in the period in which they are determined by final settlement. Medicare and Champus cost reimbursements and adjustments are reflected in net patient service revenue. These two programs provide for settlements between estimated and actual pass through costs attributable to beneficiaries of these programs. The intermediary has a right to offset balances within each program.

## 8. CONSTRUCTION COSTS AND COMMITMENTS

The University has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized in the applicable plant asset categories upon completion. Management estimates that the University has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next several years at an estimated total cost of \$168,550,000. Of the total estimated cost, approximately \$127,500,000 was unexpended at June 30, 2001. Through June 30, 2001, the University has capitalized substantially complete and in use projects costing approximately \$25,000,000 in the applicable plant asset categories. Of the unexpended balance at June 30, 2001, the University had remaining commitment balances of approximately \$6,000,000 with certain property owners, engineering firms, construction contractors, and vendors related to these projects. At June 30, 2001, the University had in progress other capital projects which are not to be capitalized when completed. These projects are for replacements, repairs, and/or renovations to existing facilities. Costs incurred to date on these projects amounted to approximately \$360,000 at June 30, 2001, and the estimated cost to complete was approximately \$1,000,000. At June 30, 2001, the University had no remaining commitment balances related to these projects. The University anticipates funding these projects out of current resources, current and future bond issues, private gifts, and hospital revenues.

The Authority has obtained the necessary funding for the acquisition, construction, renovation, and equipping of certain facilities which will be capitalized upon completion. Management estimates that the Authority has sufficient resources

available and/or future resources identified to satisfactorily complete the construction of such projects which are expected to be completed in varying phases over the next several years at an estimated total cost of \$124,000,000. Of the total estimated cost, approximately \$34,500,000 was unexpended at June 30, 2001. Of the unexpended balance at June 30, 2001, the Authority had remaining commitment balances of approximately \$10,400,000 with certain property owners, engineering firms, construction contractors, and vendors related to these projects.

During the current year, interest expense in excess of interest earnings was capitalized as follows:

Interest expense	\$ 3,040,300
Interest income	<u>(2,368,038)</u>
Net interest capitalized	<u>\$ 672,262</u>

## 9. LEASE OBLIGATIONS

The University is obligated under various operating leases for the use of land and buildings and under capital leases for real property and equipment. The University is obligated to Medical University Facilities Corporation, a component unit, under real property capital leases for the acquisition of the Harborview Office Tower and parking garage and for the acquisition of the Strom Thurmond Biomedical Research Center. The University's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2001, were as follows:

Year Ending June 30	Capital Leases		Operating Leases
	Real Property	Equipment	Real Property
2002	\$ 3,099,501	\$ 341,998	\$ 3,643,640
2003	3,101,401	61,932	1,724,497
2004	3,099,245	13,589	299,868
2005	3,098,033	10,203	-
2006	3,101,283	-	-
Through 2016	<u>27,678,273</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	43,177,736	427,722	<u>\$ 5,668,005</u>
Less interest	<u>(18,031,865)</u>	<u>(32,647)</u>	
Present value of minimum lease payments	<u>\$ 25,145,871</u>	<u>\$ 395,075</u>	

The Authority is obligated under various operating leases for the use of land, buildings, and equipment and under capital leases for equipment. The Authority's future commitments for capital leases and for operating leases having remaining noncancelable terms in excess of one year as of June 30, 2001, were as follows:

Year Ending June 30	Capital Leases	Operating Leases	
	Equipment	Real Property	Equipment
2002	\$ 656,262	\$ 2,392,483	\$ 1,343,060
2003	609,096	2,093,697	1,083,494
2004	338,543	177,655	1,019,978
2005	189,513	-	896,512
2006	<u>111,264</u>	<u>-</u>	<u>412,897</u>
Total minimum lease payments	1,904,678	<u>\$ 4,663,835</u>	<u>\$ 4,755,941</u>
Less interest	<u>(221,987)</u>		
Present value of minimum lease payments	<u>\$ 1,682,691</u>		

### Capital Leases

During the current fiscal year, the University entered into capital leases for laboratory equipment in the total amount of \$9,334. Capital leases are generally payable in monthly installments from unrestricted current funds resources and have terms expiring in various years between 2002 and 2016. Equipment capital lease expenditures for fiscal year 2001 were \$138,246 of principal and \$21,705 of interest. Interest rates on equipment capital leases range from 1.5% to 7%. The real property lease expenditure includes \$670,000 of principal and \$1,126,538 of interest paid to Medical University Facilities Corporation.



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The following is a summary of the carrying values of assets held under capital leases at June 30, 2001:

Equipment	\$ 724,406
Land	2,335,580
Buildings	<u>45,041,133</u>
Total	<u>\$ 48,101,119</u>

Certain University capital leases provide for renewal and/or purchase options. Generally, purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

Monthly payments are made to a financial institution as trustee under the capital lease with MUFC for the Strom Thurmond Biomedical Research Center and are based on the amount necessary to fund the payments due under the lease revenue bonds (see Note 6). These payment requirements are reduced by interest earned on the cash held by the trustee. The maximum interest rate on the lease, assuming no interest earnings, is 9.79 percent and the final maturity is in 2016. A portion of the building has been subleased to the Veterans Administration for a period of 20 years at an annual rent of \$1,264,670.

Monthly payments are made to a financial institution as trustee under the capital lease with MUFC for the Harborview Office Tower and are based on the amount necessary to fund the payments due under the certificates of participation payable (see Note 6). These payment requirements are reduced by interest earned on the cash held by the trustee. The maximum interest rate on the lease, assuming no interest earnings, is 9.749 percent and the final maturity is in 2013.

During the current fiscal year, the Authority entered into capital leases for medical equipment in the total amount of \$1,542,309. Capital leases are generally payable in monthly installments from unrestricted current funds resources and have terms expiring in various years between 2002 and 2006. Equipment capital lease interest expenses for fiscal year 2001 were \$79,728. Interest rates on equipment capital leases range from 6.85% to 13.9%.

The following is a summary of the values of equipment assets held under capital leases at June 30, 2001:

Cost	\$ 2,129,126
Accumulated depreciation	<u>(159,882)</u>
Book value	<u>\$ 1,969,244</u>

Certain Authority capital leases provide for renewal and/or purchase options. Generally, purchase options at bargain prices of one dollar are exercisable at the expiration of the lease terms.

University Medical Associates has entered into capital lease agreements as lessee for computers, equipment and software. The interest rates on the capital leases range from 2.9% to 13.1%. These lease agreements have been recorded at the present value of future minimum lease payments as of the inception date in the accompanying financial statements. Interest costs on the capital leases was approximately \$105,000 for the year.

Following is an analysis of the leased property under the capital lease at June 30, 2001:

	<u>Computers and Equipment</u>	<u>Software</u>
Capitalized cost	\$ 3,061,382	\$ 106,615
Less accumulated depreciation	<u>(1,355,134)</u>	<u>(94,177)</u>
Total	<u>\$ 1,706,248</u>	<u>\$ 12,438</u>

Included in depreciation expense for the year ended June 30, 2001, was \$411,968 for these capital leases. The capitalized costs of computers and equipment include \$1,068,130 of computers and equipment donated to the University. The book value of these contributed items is \$819,591.

The future UMA minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2001, were as follows:

<u>Year Ending June 30,</u>	
2002	\$ 790,860
2003	548,857
2004	229,144
2005	144,548
2006	<u>27,944</u>
Total minimum lease payments	1,741,353
Less interest	<u>(169,373)</u>
Present value of minimum lease payment	<u>\$ 1,571,980</u>



On January 9, 1995, UMA used a portion of the proceeds of the Direct Note Obligations to prepay Health Sciences Foundation \$37,000,000 on a noncancelable lease for Rutledge Tower which expires on June 30, 2018 but will be renewed automatically for successive five year terms following the initial term. As a result of the prepayment, \$13,989,600 was recorded as rental buildings under capital lease, \$2,958,000 was recorded as rental equipment under capital lease and \$20,052,400 was recorded as prepaid rent for the land in UMA's financial records. The prepayment is being amortized using the straight-line method over 29.5 years as rent expense. For the year ended June 30, 2001, amortization was \$679,742. The balance included in prepaid expense was approximately \$15,634,000 at June 30, 2001.

Following is an analysis of the leased property under the capital lease at June 30, 2001:

	<u>Building</u>	<u>Equipment</u>
Capitalized costs	\$ 13,989,600	\$ 2,958,000
Less accumulated depreciation	<u>(3,082,454)</u>	<u>(1,922,700)</u>
Total	<u>\$ 10,907,146</u>	<u>\$ 1,035,300</u>

The building and equipment are being depreciated on a straight-line method over 29.5 and 10 years, respectively. Depreciation expense for the year ended June 30, 2001 includes \$770,024 for this lease.

Pharmaceutical Education and Development Foundation leases several pieces of equipment under capital leases with various lessors.

In addition, on February 2, 1998, PEDF entered into a lease agreement to lease an office building and laboratory and production facility. The facility was constructed in accordance with the requirements of PEDF and the term of the lease commenced on January 1, 1999. The lease term is for a period of 25 years. Lease payments are based on an estimated project cost of \$6,333,520 and are anticipated to be \$56,667 per month for a ten year period and increased by 2.5% each year thereafter.

In November, 1999, both parties agreed the facility was not available for delivery and occupancy as provided for by the lease. To remedy the situation, the lessor agreed to proceed with a contract, in the amount of \$1,100,000, in accordance with plans and specifications prepared by the lessor and approved by PEDF with completion slated for February 28, 2000. Of the \$1,100,000 PEDF has agreed to repay \$400,000 at the rate of 8.5% and amortized over 23 years. In January, 2001, PEDF began repayment of the loan in equal monthly payments of \$3,307. The February date was not met and according to the amendment, lease payments were deferred until the construction was completed. The amendment states all amounts due under the lease for the period beginning September 1, 1999 and continuing through February 28, 2000 would accrue but not be immediately due and payable. This \$340,000 would be treated as a loan to PEDF repayable, without additional interest, only out of the first available operating profit earned by PEDF's manufacturing facility. The deferred rent of \$385,571 is included in other liabilities and is reported as a principal reduction of \$12,958 and interest expense of \$372,313. The lease amendment further provided that if the construction were not completed by February 28, 2000, the contractor would be responsible for the monthly payments of \$56,667 until the building was completed. PEDF made partial payments for the months of June and July, 2000, and began paying the full monthly amount on August 1, 2000. If at any time within one year of acceptance of the facility, it is discovered that the facility is not "validatable" all amounts due and payable under the lease from the date of such discovery will be deferred. Deferment will continue until a "validatable" condition is achieved. In addition, the Health Sciences Foundation, the guarantor for PEDF, received the right to purchase the facility for \$8.0 million at any time during lease years 2 through 10 (January 1, 2000 through December 31, 2009).

Rent payments under this lease, with a cost of the building not to exceed \$6,500,000, are guaranteed by the Health Sciences Foundation in an amount not to exceed \$4,000,000 against an anticipated annual lease amount of approximately \$700,000 per year, not to exceed 10 years from the commencement of the lease.

The following is an analysis of the leased assets at June 30, 2001:

Building	\$ 6,733,520
Equipment	<u>948,802</u>
Total capitalized costs	7,682,322
Less accumulated depreciation	<u>(713,202)</u>
Total	<u>\$ 6,969,120</u>

Depreciation on capitalized leased assets was \$296,967 for the year ended June 30, 2001.

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The future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>	<u>New Facility</u>	<u>Total</u>
2002	\$ 236,031	\$ 719,684	\$ 955,715
2003	169,837	719,684	889,521
2004	136,577	719,684	856,261
2005	41,776	719,684	761,460
2006	36,480	719,684	756,164
Thereafter	—	<u>14,647,711</u>	<u>14,647,711</u>
Total minimum lease payments	620,701	18,246,131	18,866,832
Less interest	<u>(147,580)</u>	<u>(11,622,465)</u>	<u>(11,770,045)</u>
Present value of minimum lease payments	<u>\$ 473,121</u>	<u>\$ 6,623,666</u>	<u>\$ 7,096,787</u>

### Operating Leases

The University's and the Authority's noncancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2002 through 2004 for the University and from 2002 through 2006 for the Authority. The University also has certain short-term operating leases for real property and equipment. Certain operating leases provide for renewal options for periods from one to five years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. The University and the Authority are responsible for maintenance on most leased property. Total operating lease expenditures in fiscal year 2001 were approximately \$5,348,000 for real property and \$227,000 for equipment of the University and approximately \$5,048,000 for real property and \$2,309,000 for equipment of the Authority. The University reports these costs in the applicable current funds functional expenditure categories and the Authority reports these costs in the applicable expense category. The University and the Authority have an annual operating lease agreement with each other which covers space each uses in real property owned by the other. During the fiscal year the University paid the Authority \$1,105,340 and the Authority paid the University \$2,892,493 under this lease agreement. As discussed in Note 11 and Note 12, the University and the Authority had certain other operating leases with related parties in the current fiscal year.

Charleston Memorial Hospital (CMH) leases existing real property facilities from Charleston County including related renovations and additions. These lease payments are equal to the County's debt service to fund the renovations and additions to the facility and for fiscal year 2001, this payment approximated \$1,655,000. Charleston County did not require CMH to pay the \$827,774 due in February, 2001, which was recorded as a contribution. Based on the terms of the agreement and economic use of the facilities, lease expense determined on the straight-line basis was recorded in the amount of approximately \$1,716,000 for fiscal year 2001. Included in prepaid expenses in prior years were amounts which represented the difference in the expense and payment amounts. The June 30, 2000 prepaid amount of approximately \$243,000 was expensed as of June 30, 2001 since the lease was cancelled July 1, 2001 and the prepaid expense had no future economic benefit. The \$243,000 is included in rent expense.

University Medical Associates leases certain land, buildings and equipment under leases expiring at various dates from 2002 through 2024 including those facilities referred to in Note 11. The minimum lease payments under UMA noncancelable leases having remaining terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	
2002	\$ 6,115,264
2003	4,734,594
2004	3,452,483
2005	2,325,697
2006	1,729,621
Thereafter	<u>5,464,252</u>
Total	<u>\$ 23,821,911</u>

In April, 1998, PEDF entered into a lease commitment agreement to lease equipment with an estimated cost of up to \$1,500,000 over a 60 month term at an interest rate to be fixed at the date of delivery and final acceptance of the equipment. The interest rate will be indexed to like term U.S. Treasuries with a 2.98% spread. As of June 30, 2001, the entire \$1,500,000 is utilized, based on the Treasury interest rate in effect at the date of the commitment agreement, monthly lease payments are \$27,670. The equipment consists of production and laboratory equipment to be acquired for use in the PEDF's production facility. The lease is classified as an operating lease. Since this lease is considered to be an operating lease, no amount of liability has been recorded on the financial statements through June 30, 2001. During the fiscal year ended June 30, 2001, expenses were paid to BB&T Leasing totaled \$308,088.

In February, 2000, PEDF entered into a lease commitment agreement with WASCO Funding Corp. whereby PEDF may lease equipment with a cost of up to \$500,000. The term of the lease is 60 months with the interest rate fixed at the date

of delivery and final acceptance of the equipment. The interest rate will be indexed to like term U.S. Treasuries with a spread of 2.75%. The equipment is used for production in PEDF's new facility. As of June 30, 2001, the entire \$500,000 is utilized, based on the Treasury interest rates in effect at the date of the commitment agreement, monthly lease payments are \$11,339. Since this lease is considered to be an operating lease, no amount of liability has been recorded on the financial statements through June 30, 2001. During the fiscal year ended June 30, 2001, lease expenses were paid to WASCO in the amount of \$117,211.

PEDF also leases other types of equipment for various terms under long term, noncancelable operating lease agreements. The leases expire at various dates through 2006. During fiscal year 2001, lease expense on these various leases totaled \$13,400.

The anticipated future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Equipment</u>
2002	\$ 469,687
2003	469,687
2004	469,190
2005	287,759
2006	<u>6,291</u>
Total	<u>\$ 1,702,614</u>

## 10. PLANT FUNDS

The University combines the three plant funds subgroups for reporting purposes. The plant funds balance sheet and statement of changes in fund balances by subgroup are as follows:

### BALANCE SHEET

	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	TOTAL
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,419,332	\$ 9,659,925	\$ -	\$ 21,079,257
Accrued interest receivable	277,202	70,004	-	347,206
Capital improvement bond proceeds receivable	18,206,563	-	-	18,206,563
Due from Medical University Facilities Corporation	457,321	-	-	457,321
Land and land improvements	-	-	18,327,484	18,327,484
Buildings and leasehold improvements	-	-	214,889,887	214,889,887
Furniture and equipment	-	-	58,554,022	58,554,022
Library books, periodicals, and other materials	-	-	16,035,287	16,035,287
Construction in progress	<u>24,685,577</u>	<u>-</u>	<u>-</u>	<u>24,685,577</u>
Total assets	<u>\$ 55,045,995</u>	<u>\$ 9,729,929</u>	<u>\$ 307,806,680</u>	<u>\$ 372,582,604</u>
<b>LIABILITIES AND FUND EQUITIES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 681,957	\$ -	\$ -	\$ 681,957
Retainages payable	131,516	-	-	131,516
Accrued interest payable	-	746,178	-	746,178
Due to Medical University				
Hospital Authority	792,277	-	-	792,277
Bonds payable	27,370,000	-	10,835,000	38,205,000
Obligations under capital leases	-	-	395,075	395,075
Capital lease payable to Medical University Facilities Corporation	<u>-</u>	<u>-</u>	<u>25,145,871</u>	<u>25,145,871</u>
Total liabilities	<u>28,975,750</u>	<u>746,178</u>	<u>36,375,946</u>	<u>66,097,874</u>
<b>Fund balances:</b>				
Restricted	26,070,245	951,319	-	27,021,564
Unrestricted:				
Designated for capital projects	-	5,144,519	-	5,144,519
Undesignated	-	2,887,913	-	2,887,913
Net investment in plant	<u>-</u>	<u>-</u>	<u>271,430,734</u>	<u>271,430,734</u>
Total fund equities	<u>26,070,245</u>	<u>8,983,751</u>	<u>271,430,734</u>	<u>306,484,730</u>
Total liabilities and fund equities	<u>\$ 55,045,995</u>	<u>\$ 9,729,929</u>	<u>\$ 307,806,680</u>	<u>\$ 372,582,604</u>

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STATEMENT OF CHANGES IN FUND BALANCES

	UNEXPENDED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT	TOTAL
Revenues and other additions:				
Student tuition and fees - restricted	\$ -	\$ 3,630,819	\$ -	\$ 3,630,819
Capital improvement bond proceeds	6,300,000	-	-	6,300,000
Interest and investment income - restricted	2,338,346	592,158	-	2,930,504
Expended for plant facilities	-	-	6,417,175	6,417,175
Donated assets	-	-	361,868	361,868
Retirement of indebtedness - bonds	815,000	-	1,205,000	2,020,000
Retirement of indebtedness - capital Leases	-	-	1,084,065	1,084,065
Other additions	<u>621,183</u>	<u>-</u>	<u>-</u>	<u>621,183</u>
Total revenues and other additions	<u>10,074,529</u>	<u>4,222,977</u>	<u>9,068,108</u>	<u>23,365,614</u>
Expenditures and other deductions:				
Expended for plant facilities	1,960,550	-	-	1,960,550
Interest capitalized on construction	189,644	-	-	189,644
Retirement of indebtedness	-	2,020,000	-	2,020,000
Interest on indebtedness	-	2,151,748	-	2,151,748
Disposal of plant facilities	-	-	5,184,442	5,184,442
Capital lease additions	-	-	9,344	9,344
Administrative costs	-	5,270	-	5,270
Noncapitalized expenditures	<u>48,878</u>	<u>-</u>	<u>-</u>	<u>48,878</u>
Total expenditures and other deductions	<u>2,199,072</u>	<u>4,177,018</u>	<u>5,193,786</u>	<u>11,569,876</u>
Transfers among funds - additions/(deductions)				
Mandatory:				
Principal and interest	-	709,043	-	709,043
Nonmandatory:				
Transfers from unrestricted current funds	-	1,199,000	-	1,199,000
Transfers between plant funds	2,243,691	266,309	(2,510,000)	-
Transfers from Medical University Hospital Authority	<u>311,154</u>	<u>-</u>	<u>-</u>	<u>311,154</u>
Total transfers	<u>2,554,845</u>	<u>2,174,352</u>	<u>(2,510,000)</u>	<u>2,219,197</u>
Net increase/(decrease) for the year	10,430,302	2,220,311	1,364,322	14,014,935
Fund balances at beginning of year, as restated	3,064,672	28,036,279	478,424,934	509,525,885
Residual equity transfers	<u>12,575,271</u>	<u>(21,272,839)</u>	<u>(208,358,522)</u>	<u>(217,056,090)</u>
Fund balances at end of year	<u>\$ 26,070,245</u>	<u>\$ 8,983,751</u>	<u>\$ 271,430,734</u>	<u>\$ 306,484,730</u>

## II. COMPONENT UNITS

### **Medical University Hospital Authority**

Effective July 1, 1990, the University and Charleston County Council entered into a management agreement whereby the University assumed responsibility for Charleston Memorial Hospital. The agreement requires that the University continue to provide all services being provided as of the date of the agreement and the County to construct psychiatric, obstetric, and pediatric units and a clinic for outpatient services. The management agreement also requires the County to pay an annual fee to the University of approximately \$3,800,000 (modified to reflect changes in the consumer price index). Commencing July 1, 1998, the County did not pay any appropriation to CMH. On July 1, 2000, the responsibility for the management of CMH was transferred to the Authority. All expenses of the operation and maintenance of Charleston Memorial Hospital are the responsibility of the Authority.

Effective June 16, 2000, the University and the Authority entered into an affiliation agreement which outlines availability of facilities, use of house staff, and insurance coverage. The agreement ends June 30, 2005 with automatic renewal of an additional five years unless either party provides written notification to cancel at least 180 days prior to the end of the term.

The Authority paid the University \$57,068,260 during the fiscal year ended June 30, 2001 for interns and residents, professional services of the College of Medicine, physical plant, rent, public safety, and other administrative and financial services. Also during the fiscal year, the Authority made nonmandatory transfers to the University into the unrestricted current funds of \$5,251,895 for academic support and into the unexpended plant funds of \$311,154 for funding of construction projects. The University paid the Authority \$2,834,554 during the fiscal year ended June 30, 2001 for rent, various administrative and support services.

The University amounts due (to) from the Authority for these services as of June 30, 2001, are recorded in the following funds:

Unrestricted current funds	\$ 3,779,019
Unexpended plant funds	(792,277)
Agency funds	<u>(234)</u>
Due from Authority	<u>\$ 2,986,508</u>

The Authority has on deposit with the University \$1,360,181 for future purchases.

### **University Medical Associates**

Revenues of University Medical Associates are available to pay operating expenses of UMA and support activities of the academic departments at The Medical University of South Carolina including faculty and staff compensation. Any excess may be paid to the University or retained within UMA for future use. For the year ended June 30, 2001, pursuant to this practice, UMA paid \$3,834,651 to the University which is reported in the unrestricted current funds as a nonmandatory transfer. UMA also donated to the University equipment and supply items valued at \$1,808,475.

The University, the Authority, and UMA have entered into agreements whereby UMA will be reimbursed an annual fixed amount for providing an environment for clinical education and research for University residents and students. UMA shall be entitled to reimbursement for, but not limited to: expenses for facilities necessary to perform these agreements, personnel costs, insurance, necessary supplies and equipment, and necessary capital improvements. The parties agree each year to an estimated budget, which is net of supplies billing and other revenue, to be paid ratably over the year to UMA as reimbursement of its costs. For the fiscal year ending June 30, 2001, the University paid UMA \$5,500,000 which is included in instruction expenditures and the Authority paid UMA \$35,500,000 which is reported as ambulatory care expense.

The Authority and UMA entered into an agreement to provide a digestive disease center for patients with digestive disease. The agreement is renewed annually and can be terminated upon 180 days written notice. UMA has responsibility for the management of the daily operations of the center. The Authority reimburses UMA for certain direct costs of the operation. During fiscal year 2001, UMA, under this agreement, received from the Authority \$280,231 which is included in UMA's other income and which the Authority reported as general and administrative expenses.

Carolina Health Management Services, Inc. (CHMS), a blended component unit of UMA, has a managed care contract and reimbursement agreement with the University. CHMS performs services regarding managed care operations for the University and its affiliates, including arranging for contracts with various third party payers. The agreement is renewed annually and can be terminated by either party by 30 days prior to the expiration of the term in effect. All costs from these operations of the managed care services are shared between UMA (40%), CHMS (10%) and the Authority (50%). The

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Authority's share of the cost for fiscal year 2001 was \$101,559 and is reported as general and administrative expenses.

The Authority and Charleston Memorial Hospital entered into an agreement with UMA effective June 27, 1994, to provide urgent care services to Authority and Charleston Memorial Hospital patients. These agreements were amended September 1, 2000 for a one year period with automatic renewal unless terminated by any party upon 120 days written notice. UMA has responsibility for the management of the daily operations of the urgent care services. Any collections above set budgets and expenses below set budgets will be split 50/50 between UMA and the respective hospitals. UMA received \$2,005,251 under these agreements for fiscal year 2001. Amounts under these agreements are reported in net clinical service revenues by UMA.

The University amounts due (to) from UMA as of June 30, 2001, are as follows:

	Current Funds		Agency Funds	Total
	Unrestricted	Restricted		
Parking	\$ 286,997	\$ —	\$ —	\$ 286,997
Other	<u>87,815</u>	<u>—</u>	<u>—</u>	<u>87,815</u>
Due from UMA	<u>374,812</u>	<u>—</u>	<u>—</u>	<u>374,812</u>
Settlement costs, including accrued interest	(931,347)	—	—	(931,347)
Other	(40,845)	(54,397)	(272,874)	(368,116)
Rent	(3,743)	—	—	(3,743)
Grant salary reimbursement	<u>—</u>	<u>(604,589)</u>	<u>—</u>	<u>(604,589)</u>
Due (to) UMA	<u>(975,935)</u>	<u>(658,986)</u>	<u>(272,874)</u>	<u>(1,907,795)</u>
Net due (to) from UMA	<u>\$ (601,123)</u>	<u>\$ (658,986)</u>	<u>\$ (272,874)</u>	<u>\$ (1,532,983)</u>

The Authority amounts due (to) from UMA as of June 30, 2001, are as follows:

Ambulatory Care employee expenses	\$ 259,273
Refund of duplicate payment	199,235
Other	(8,300)
Settlement costs, including accrued interest	(3,133,575)
Patient refunds	(1,873,991)
Rutledge Tower rent	(164,306)
TCU salary expense	(47,805)
Urgent Care Agreement	(34,796)
Digestive Disease Contract	<u>(35,158)</u>
Due (to) UMA	<u>\$ (4,839,423)</u>

The University, the Authority, and UMA entered into a five-year agreement during fiscal year 2000 for the settlement of the False Claims Act lawsuit. The entire liability was recorded by UMA as a structured legal settlement. Payments of \$260,443 from the University and \$876,278 from the Authority including interest at 6.4 percent are paid to UMA each November 1 starting November 1, 2000, through November 1, 2004. During fiscal year 2001, the University and the Authority incurred interest expenditures/expense of \$80,091 and \$269,471, respectively, under this agreement.

During the year, the University paid UMA \$2,018,424 and the Authority paid UMA \$1,971,672 in rent for office space and various other properties. These amounts are reported by the University in the unrestricted current funds under operation and maintenance of plant expenditures and under Authority expenses.

On January 9, 1995, UMA prepaid the Health Sciences Foundation (HSF) \$37 million on a noncancelable lease. The original lease dated July 1, 1993, was considered an operating lease. This original lease term expires June 30, 2018, with automatic successive five year renewals. On January 9, 1995, the lease was amended to provide that the lease term would expire on the later of June 30, 2024, or the date on which all principal and premiums, if any, and interest on the Direct Note Obligations are paid (see Notes 6 and 9).

As a result of these changes, as of January 9, 1995, \$13,989,600 was recorded as rental buildings under capital lease, \$2,958,000 was recorded as rental equipment under capital lease, and \$20,052,400 was recorded as prepaid rent. Accumulated depreciation on the building and equipment at June 30, 2001, was \$5,005,154. The prepaid rent of \$20,052,400 represents the portion of the prepaid \$37 million lease payment that is attributable to the value of the land for the lease property. The prepayment is being written off using the straight-line method over 29.5 years. The amount amortized for the year ended June 30, 2001, was \$679,742.

### **Pharmaceutical Education and Development Foundation**

The University has an agreement with Pharmaceutical Education and Development Foundation to provide office space,

laboratory facilities, and certain administrative services to PEDF. The value of these services is calculated using actual personnel costs and expenditures prorated by PEDF effort plus fair market value of similar rental space. As of November, 2000, PEDF was no longer using office space or laboratory facilities at the University. Under this agreement, PEDF recorded rent expense and a payable to the University in the amount of \$86,561 for these services for the year ended June 30, 2001. The University has recorded the \$86,651 in other Academic Division revenues. Under the agreement, PEDF must provide funds for the University's College of Pharmacy faculty and student support, and other needs in such amounts as may be determined from time to time by PEDF's board. Such amounts must adequately reimburse the University for space, equipment and services provided by the College of Pharmacy or PEDF must reimburse the University. The agreement provides for other terms dealing with personnel compensation, accounting procedures, legal matters, indemnification and other business matters.

On November 1, 1997, the University and PEDF entered into a educational support agreement whereby PEDF will perform various services in support of the College of Pharmacy's graduate and professional degree programs. In consideration of the services provided by PEDF, the University agreed in addition to providing space, utilities and infrastructure as well as certain state owned equipment to PEDF, to pay PEDF for instructional and educational opportunities in an amount of \$210,000 per year. The agreement is for an initial term of one year and shall be automatically renewed for like one year terms unless either party cancels at least 90 days prior to the end of the current contract period. The contract amount is subject to adjustment on an annual basis. For the year ended June 30, 2001, PEDF recognized other income of \$210,000 related to this contract.

PEDF owes the University \$162,337 for rent which is included in the current funds and the University owes PEDF \$155 for a deposit held in the agency funds as of June 30, 2001.

Effective October 1, 1995, PEDF has contracted with UMA for the provision of adequate scientific and administrative personnel on an as needed basis, the administration of payroll for UMA provided personnel including all required employment and income tax withholding, and the provision and administration of employee benefits for UMA provided personnel. PEDF will reimburse UMA for all personnel costs at a rate of 101.5% of the amount of all funds expended by UMA in payment of salaries and benefits to UMA provided personnel. The reimbursement totaled \$2,478,053 for the year ending June 30, 2001, and is included in UMA's other operating revenue. As of June 30, 2001, PEDF owes UMA \$2,280,356 under this agreement. UMA has discounted this receivable to the amount expected to be collected of \$2,109,539 and recorded a bad debt expense of \$170,817. This debt is non-interest bearing and has no required payment schedule. Provisions of this debt call for voting board seats and conversion to equity rights.

Also, the Health Sciences Foundation provided funds on an interest free basis to PEDF to provide working capital. Provisions of this debt call for voting board seats and conversion to equity rights. At June 30, 2001, PEDF owed HSF \$6,161,140.

### ***Foundation for Research Development***

MUSC Foundation for Research Development and the University have an affiliation agreement which outlines activities requiring MUSC Board approval, conflict of interest, dissolution, insurance, and indemnity. Additionally, the agreement requires an annual accounting of the State property, personnel, and resources used directly by MFRD, as well as, reimbursement or demonstration that adequate in kind reimbursement through provision of funds or services to the University has been made. The value of the State resources utilized by MFRD is estimated to be \$114,919 and is reported as an MFRD in-kind donation and expense. The value is calculated using actual personnel costs prorated by MFRD effort plus an overhead allocation. During the fiscal year ended June 30, 2001, MFRD provided services to the University which offset the support provided. MFRD also paid \$160,470 to sublease its office facilities at Cannon Park Place from the University. The University recorded the revenue in the unrestricted current funds as other academic division revenues.

MFRD entered into a contract with the University to provide management services for research activities and intellectual property activities. The contracts provide for annual payments of \$520,000. For the fiscal year ended June 30, 2000, MFRD has recognized income of \$520,000 from these contracts and the University reported this amount in the unrestricted current funds under institutional support expenditures.

MFRD also entered into a contract with the University to provide administrative and management services for multi-site clinical trials. The contract provides for annual payments of \$750,000. The agreement period is from January 1, 1998, to December 31, 2000. For the fiscal year ended June 30, 2001, MFRD has recognized income of \$375,000 from this contract and the University reported this amount in the unrestricted current funds under research expenditures. MFRD also paid the University \$189,037 for contractual services provided. The University recorded the reimbursement as nongovernmental contract revenue in the unrestricted current fund and MFRD recorded it as supporting service expense.



A contract was executed during the fiscal year ended June 30, 1998 between MFRD and the University for support activities and fund management for the MUSC Healthy South Carolina Initiative Program. Specific responsibilities of the Foundation include providing subawards to support the Health South Carolina Initiative Program, pursuing intellectual properties and service opportunities emanating from the research, and reporting health benefits inured to South Carolinians.

MFRD recorded the corpus of the Healthy South Carolina funds as a liability to the University and the University has this amount recorded as due from MFRD. These funds have been subawarded for research and other activities performed by University faculty members. Funds are returned to the University as expenditures are incurred by the University for these subawards.

As of June 30, 2000, MFRD owes the University the following amounts which are recorded in the restricted current fund:

Healthy South Carolina Initiative Program	\$ 2,653,770
Interest income	136,191
Grants and contracts	<u>269,715</u>
Total	<u>\$ 3,059,676</u>

Also, MFRD owes the University \$96,870 for miscellaneous sales and services recorded in the unrestricted current fund at June 30, 2001. The University owes MFRD \$230,712 for grant costs which are recorded in the restricted current fund and \$23,435 for a deposit held in the agency fund.

The University has assigned the rights to intellectual property owned by the University to MFRD. MFRD incurs the cost of patent prosecution and commercialization of the intellectual property. Legal fees and other costs associated with patent prosecution are expensed as incurred as the future economic benefits are uncertain and not measurable. MFRD entered into five separate licensing agreements with privately-held start-up companies. MFRD purchased securities by contributing the rights in intellectual property assigned to MFRD by the University. As the securities in these corporations are not publicly traded and the economic value of the intellectual property is not measurable, values have not been recorded in the financial statements.

### ***Medical University Facilities Corporation***

At June 30, 2001, the University had a receivable of \$457,321 from Medical University Facilities Corporation for proceeds of the lease revenue bonds for completion of the Strom Thurmond Biomedical Research Center. For the year ended June 30, 2001, pursuant to the trust agreement, MUFC paid \$54,998 of excess funds on deposit to the University, which is reported in the unrestricted current fund as a nonmandatory transfer.

## **12. RELATED PARTIES**

### ***Health Sciences Foundation***

The Health Sciences Foundation (HSF), a separately chartered legal entity whose activities are related to those of the University, exists primarily to provide financial assistance and other support to the University and its educational program. The financial statements of the Health Sciences Foundation are audited by independent auditors retained by the foundation. The activities of HSF are not included in the University's financial statements. However, the University's statements include transactions between the University and the foundation.

In conjunction with its implementation of GASB Statement 14, management annually reviews its relationship with the Health Sciences Foundation. The University excluded HSF from the reporting entity because it is not financially accountable for the foundation. As part of its affiliated organizations project, the GASB is currently studying other circumstances under which organizations that do not meet the financial accountability criteria would be included in the financial reporting entity. Depending on the outcome of that project and other future GASB pronouncements, the Health Sciences Foundation may become a component unit of the University and part of the financial reporting entity.

The Health Sciences Foundation was incorporated in July, 1966, under the laws of the State of South Carolina as an educational, charitable, eleemosynary foundation to promote education, research, clinical, and other facilities and programs of the University. In the event of dissolution of HSF, its assets would be transferred to the University and applied to any function germane to the University's activities.

The University provides office space and pays certain administrative costs for HSF. The total value of these items was approximately \$233,130 in fiscal year 2001. The University was not reimbursed for these costs. HSF provided support to the University for general and department expenditures which totaled \$9,344,022 in fiscal year 2001. This revenue is

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recorded as gifts in the current funds. In addition, HSF had transactions which totaled \$525,572 for equipment and supply items donated to the University. The University also has a deposit from HSF of \$50,000 included in other liabilities of the unrestricted current funds. HSF leased various properties to the University. The total rental payments paid to HSF were \$487,000 in fiscal year 2001.

For the year ended June 30, 2001, HSF transactions with the University's component units include rental income from UMA and the Authority. HSF leased to UMA various properties for total rental income of \$1,101,292 for the year ended June 30, 2001. As explained in Note 28, in April 1996, HSF's board passed a resolution to transfer to the University the St. Francis Hospital facilities (Rutledge Tower) which HSF acquired in 1993. As a result, HSF recorded a contribution payable to the University of \$17,852,400. HSF leased to the Authority 17 Ehrhardt Street for rental income of \$116,068 for the year ended June 30, 2001.

The assets, liabilities and financial operations of HSF, as summarized on the following schedule are not included in the accompanying financial statements of the University.

### STATEMENT OF FINANCIAL POSITION

	Health Sciences Foundation June 30, 2001
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 327,966
Receivables	11,625,930
Property and equipment	29,712,243
Investments	115,219,741
Property held for sale	1,955,800
Deposit held by MUSC	50,000
Other assets	<u>1,812,558</u>
Total Assets	<u>\$ 160,704,238</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>	
Liabilities:	
Accounts and annuities payable	\$ 2,594,284
Collateralized line of credit	1,067,540
Long term debt	6,294,414
Contributions payable - MUSC	17,852,400
Unearned income	<u>15,490,977</u>
Total liabilities	<u>43,299,615</u>
Net Assets	
Unrestricted	27,483,186
Temporarily restricted	59,831,675
Permanently restricted	<u>30,089,762</u>
Total net assets	<u>117,404,623</u>
Total Liabilities and Net Assets	<u>\$ 160,704,238</u>

### STATEMENT OF ACTIVITIES

Revenues, gains and other support:	
Contributions	\$ 16,683,172
Net unrealized and realized gain (loss) on investments	(21,412,858)
Interest and dividends	5,550,462
Rental income	1,765,659
Special events revenues and other	886,179
(Loss) on sale of property	<u>(96,349)</u>
Total revenues, gains and other support	<u>3,376,265</u>
Expenses:	
Grants and general support to the University	9,344,022
Equipment donated to the University	525,572
Other disbursements	<u>5,352,373</u>
Total expenses	15,221,967
Losses:	
Realized loss on advance to PEDF	2,557,888
Provision for delinquent unconditional promises to give	<u>820,000</u>
Total expenses and losses	<u>18,599,855</u>
Change in net assets	(15,223,590)
Net assets at beginning of year	<u>132,628,213</u>
Net assets at end of year	<u>\$ 117,404,623</u>

### 13. TRANSACTIONS WITH STATE ENTITIES

The University and the Authority have significant transactions with the State of South Carolina and various State agencies. Services received at no cost from State agencies include maintenance of certain summary accounting records and lump sum disbursement processing by the Comptroller General; banking, investment and bond trustee functions from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from the various offices of the State Budget and Control Board include pension plans administration, insurance plans administration, grant services, personnel management, assistance in the preparation of the State budget, review and approval of certain budget amendments, procurement services, and other centralized functions.

The University and the Authority had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contributions, vehicle rental, insurance coverage, telephone, interagency mail and data processing services. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The University provides printing services to the College of Charleston and medical services to clients of various State agencies for a fee. The fiscal year 2001 revenue and expenditure amounts applicable to these related party transactions are not readily available.

### 14. ACCOUNTS RECEIVABLE ALLOWANCES

No allowances for uncollectibles were deemed necessary at June 30, 2001, for the University's student and other accounts receivable.

Patient accounts receivable allowances at June 30, 2001, were comprised of the following amounts:

	<u>Authority</u>	University Medical <u>Associates</u>
Contractual Adjustments	\$ 43,844,329	\$ 22,003,856
Uncollectibles	<u>15,738,171</u>	<u>3,485,671</u>
Total	<u>\$ 59,582,500</u>	<u>\$ 25,489,527</u>

### 15. DEFERRED COMPENSATION PLANS

Several optional deferred compensation plans are available to State employees and employees of its political subdivisions. Certain employees of the University and the Authority have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Certain employees have elected to participate in a Section 457 plan that was established by the University. The plan is administered by various unrelated financial institutions. Compensation deferred under the plan is placed in trust for the contributing employee.

The State authorized deferred compensation matching contributions for fiscal year 2000-2001. The contributions are funded from various funding sources based on the same percentages used for employees' salaries. The State appropriated funds from unspent fiscal year 1999-2000 appropriations for contributions to 401(k) accounts of eligible state employees whose salaries are funded from State General Fund appropriations. In addition, the 2000 Appropriation Act required agencies to match certain 401(k) contributions by employees whose salaries are funded from its other applicable revenue sources. The 401(k) match is limited to \$300. To be eligible an employee must be a permanent full-time State employee or temporary grant employee who is actively contributing to a 401(k), 457, or 403(b) account on the date of distribution. Permanent full-time employees making less than \$20,000 as of July 1, 2000, are not required to contribute in order to receive the match.

The University contributed approximately \$367,000 as a lump sum payment in May, 2001.

## 16. PENSION PLANS

The majority of employees of the University and the Authority are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board, a public employee retirement system. Generally, all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

The Retirement Division maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina, 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82% of an employee's average final compensation multiplied by the number of years of credited service. Early retirement options with reduced benefits are available as early as age 55. Employees are vested for a deferred annuity after five years service and qualify for a survivor's benefit upon completion of 15 years credited service (five years effective January 1, 2001). Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service (this requirement does not apply if the disability is the result of a job-related injury). A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2000, the employer contribution rate became 10.07 percent which included a 2.52 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the years ending June 30, 2001, 2000, and 1999 were approximately \$6,865,000, \$16,440,000, and \$15,960,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Amounts for fiscal years 2000 and 1999 include the Medical Center which is now a separate entity. Also, the University paid employer group-life insurance contributions of approximately \$136,000 in the current fiscal year at the rate of .15 percent of compensation. The Authority's actual contribution to the SCRS for the fiscal year ended June 30, 2001, was approximately \$9,733,000, and equaled the required contribution of 7.55 percent (excluding the surcharge). Also the Authority paid employer group life insurance contributions of approximately \$193,000 in the current fiscal year at the rate of .15 percent of compensation.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Employees covered under PORS are eligible for a monthly pension payable at age 55 with a minimum of five years service or 25 years credited service regardless of age. In addition, employees who have five years of credited service prior to age 55, can retire yet defer receipt of benefits until they reach age 55. A member is vested for a deferred annuity with five years service. The benefit formula for full benefits effective since July 1, 1989, for the PORS is 2.14 percent of the employee's average final salary multiplied by the number of years of credited service. Disability annuity benefits and the group-life insurance benefits for PORS members are similar to those for SCRS participants. Accidental death benefits provide a monthly pension of 50 percent of the member's budgeted compensation at the time of death.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation.

Effective July 1, 2000, the employer contribution rate became 12.82 percent which, for the SCRS, included the 2.52 percent surcharge. The University's actual contributions to the PORS for the years ending June 30, 2001, 2000, and 1999, were approximately \$177,000, \$275,000, and \$328,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Amounts for fiscal years 2000 and 1999 include the Medical Center which is now a separate entity. The Authority's actual contributions to the PORS for the year ending June 30, 2001, was approximately \$85,000, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$3,400 and accidental death insurance contributions of approximately \$3,400 in the current fiscal year for PORS participants. The Authority paid employer group-life insurance contributions of approximately \$1,700 and accidental death insurance contributions of approximately \$1,700 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is 0.20 percent of compensation.

The amounts paid by the University for pension, group-life insurance, and accidental death benefits are reported as employer contributions expenditures within the applicable current funds' functional expenditure categories to which the related salaries are charged. They are reported by the Authority as employer contributions expense.

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each retirement plan. Any changes require the approval of the South Carolina legislature. Employee and employer contribution rates to SCRS and PORS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension liabilities for individual employers. Under Title 9 of the South Carolina Code of Laws, the University's liability under the plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the University's liability under the pension plans is limited to the contribution requirements for the applicable year from amounts appropriated therefore in the South Carolina Appropriation Act and amounts from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

At retirement, employees participating in the SCRS or PORS may receive additional service credit (at a rate of 20 days equals one month of service) for up to 90 days for accumulated unused sick leave.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987, under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's four-year higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 2.52 percent from the employer in fiscal year 2001.

Certain of the University's and the Authority's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$3,585,000 (excluding the surcharge) from the University as employer and approximately \$2,848,000 from its employees as plan members. For the fiscal year, total contribution requirements to the ORP were approximately \$50,000 (excluding the surcharge) from the Authority as employer and approximately \$38,000 from its employees as plan members. Employee contributions of 6 percent and employer contributions of 5 percent were remitted directly to the respective annuity policy providers. The balance of the employer portion, including the surcharge, was remitted to the Retirement Division of the State Budget and Control Board. The obligation for payment of benefits resides with the insurance companies.

The majority of CMH employees are covered by a retirement plan through the South Carolina Retirement System (SCRS). Since July 1, 1988, employees participating in the SCRS have been required to contribute 6 percent of all compensation. The employer contribution rate is 6.70 percent. CMH's actual contributions to the SCRS for the years ended June 30, 2001, 2000, and 1999 were approximately \$301,000, \$574,000, and \$573,000, respectively, and equaled the required contributions of 6.7 percent for each year. CMH also paid approximately \$6,700 for group life insurance premiums for the

year ended June 30, 2001 at the rate of .15% of covered payroll. The amounts paid by CMH for pension, group-life benefits, and accidental death benefits are reported as employer contribution expenditures.

University Medical Associates provides a defined contribution plan covering all employees. The plan provides for contributions by UMA in such amounts as the Board of Directors may annually determine. The plan does not permit participant contributions except for rollover contributions. UMA's contributions are allocated based upon a three-tier percentage determined by a participant's compensation. The plan's allocations are based upon the following: 8% of a participant's compensation up to \$50,000, 14% of a participant's compensation from \$50,001 to \$100,000, and 30% of participant's earnings between \$100,001 and \$160,000. Participants become fully vested in their accounts after five years of credited service. Total contributions to this plan totaled approximately \$9,430,000 in fiscal year 2001. Copies of the separately issued financial statements of the plan are available from the management of UMA.

MUSC Foundation for Research Development adopted a 401(k) plan effective November 1, 1997. Generally, the plan covers all regular employees who are at least 21 years of age. MFRD's contribution is 8 percent of each employee's salary up to a salary of \$50,000. The contribution for the year ended June 30, 2001, was \$100,173.

## **17. POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS**

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally, those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University and the Authority for their active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 21,000 State retirees met these eligibility requirements as of June 30, 2001.

The University and the Authority recorded employer contributions expenditures within the applicable functional expenditure categories for these insurance benefits for active employees in the approximate amount of \$11,330,000 for the University and \$9,106,000 for the Authority for the year ended June 30, 2001. As discussed in Note 16, the University paid approximately \$3,530,000 and the Authority paid approximately \$3,286,000 applicable to the 2.52 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University and Authority retirees is not available. By State law, the University and the Authority have no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements. In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

University Medical Associates has established an employee medical benefit plan to self-insure employees. UMA is liable for \$100,000 per individual employee or dependent per plan year. Amounts exceeding this are covered by stop-loss insurance. UMA records an estimated liability for these claims. The claims liability is based on estimates of the ultimate cost of reported claims and an estimate for claims incurred but not reported based on historical experience. Claims incurred but not reported and claims payable at June 30, 2001, amounted to \$606,913 which is included in other liabilities.

## **18. MEDICAID DISPROPORTIONATE SHARE PROGRAM**

Under legislation pursuant to federal Medicaid law, the Authority received \$65,335,492 and CMH received \$15,207,280 in 2001 from the South Carolina Department of Health and Human Services (DHHS) for services provided to a disproportionately high number of low-income patients. Matching funds of \$26,145,449 for the Authority and \$6,085,531



for CMH were required during 2001 to earn the disproportionate share. DHHS received an appropriation from the State of South Carolina for the Authority of \$21,292,776 to offset part of the matching funds required. The remaining matching funds of \$4,852,673 was paid to DHHS by the Authority. These disproportionate share payments are in addition to regular Medicaid reimbursement amounts and are paid in block sums to qualifying facilities that have provided initial matching funds. These receipts and payments are included in net patient revenues. The Authority and CMH do not expect the fiscal year 2002 amounts to materially change from the fiscal year 2001 amounts.

## **19. CONTINGENCIES AND LITIGATION**

The University and the Authority are involved in a number of legal proceedings and claims with various parties which arose in the normal course of business and cover a wide range of matters including medical malpractice. In the opinion of management, the outcome of the legal proceedings and claims is not expected to have a material adverse affect on the financial positions of the entities.

The various federal programs administered by the University for fiscal year 2001 and prior years are subject to examination by the federal grantor agencies. At the present time, amounts, if any, which may be due federal grantors have not been determined but the University believes that any such amounts in the aggregate would not have a material adverse effect on the financial position of the University. Therefore, an estimated loss has not been recorded.

On April 12, 2000, the University submitted a claim for refund of social security taxes totaling \$3,649,530 that were paid on behalf of medical and dental residents during the period January 1, 1996, through September 30, 1998. The claim is based on the fact that medical and dental residents are considered students and therefore their earnings should be excluded from social security coverage. The Internal Revenue Service has placed the claim in suspense pending its examination of a representative sample of refund claims involving medical and dental residents. The University expects to file additional claims estimated at \$2.4 million for the period October 1, 1998, through June 30, 2000.

The University and UMA were sued under the False Claims Act in connection with a lawsuit settled in fiscal year 2000. The parties may be liable for unspecified attorneys' fees, costs, and expenses incurred by the plaintiffs in connection with this lawsuit. The case is in discovery stage and the parties are aggressively defending the claim, although they remain willing to negotiate a reasonable settlement offer. The potential outcome or potential recovery or loss remains unknown.

The University and the Authority are included in a class action lawsuit that challenges the constitutionality and administration of the State's Debt Set Off Act. An order was issued in February, 2000, finding that numerous State agencies and political subdivisions had failed to give proper notice prior to setting off debts against the debtor's income tax refunds. An appeal and other proceedings are pending. If the order is upheld, and the debts that have been withheld have to be repaid with interest, the loss could be approximately \$4,000,000 to the Authority and \$2,750,000 to CMH.

As of June 30, 2001, PEDF was in litigation with its landlord regarding the rights and liabilities of each party under the building lease. Both parties have settled in conjunction with HSF's purchase of the building, as disclosed in Note 30.

## **20. NONMANDATORY TRANSFERS**

Debt service funds become available for transfer because of the maintenance of minimum balances including reserves for payment of debt service as required by bond indentures and law. Tuition, fees, and revenues pledged for debt service when collected remain in the debt service accounts of the retirement of indebtedness plant funds subgroup until they are transferred by the State Treasurer into a general capital improvements funding account. For state institution bonds issued by the State of South Carolina on behalf of the University, the State Treasurer automatically transfers qualified funds. However, for revenue bonds issued by the University, a written request for the transfer of funds in excess of required minimum balances is submitted by the University to the State Treasurer. As needed, monies are transferred from the general capital funding account to specific capital projects accounts. For the most part, institutions are authorized to make transfers for specific projects with notification to the State Treasurer. As applicable for pre-1986 bond issues, the University obtained approval from the State Budget and Control Board for the transfers.

The University reports its general capital funding account in the retirement of indebtedness subgroup and the unexpended balance thereof as unrestricted fund balance.

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## THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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During fiscal year 2001, the University recorded interfund transfers and transfers with and between its blended component units, as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Interfund transfers:			
Restricted current funds	Unrestricted current funds	1,306,613	Excess grant funds on completed projects
Unrestricted current funds	Loan funds	30,224	Funding of loan program
Loan funds	Unrestricted current funds	56,757	Financial aid administrative charges
Loan funds	Restricted current funds	23,241	Excess federal loan funds transferred to work study program
Unrestricted current funds	Retirement of indebtedness	1,199,000	Tuition revenue transferred for debt service
Unexpended Plant funds	Retirement of indebtedness	266,309	Return unused debt service funds
Transfers from component units:			
University Medical Associates	Unrestricted current funds	3,834,651	Academic support
Medical University Hospital Authority	Unrestricted current funds	5,251,895	Academic Support
Medical University Hospital Authority	Unexpended Plant funds	311,154	Funding of construction project
Medical University Facilities Corporation	Unrestricted current funds	54,998	Excess earnings on debt service funds

## 21. RISK MANAGEMENT

The University and its component units are exposed to various risks of loss and maintain State or commercial insurance coverage for each of those risks except health and dental insurance claims for UMA which are self-insured. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded this coverage in any of the past three years.

The insurer's promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits. The University pays insurance premiums to certain other State agencies to cover risks that may occur in normal operations. State management believes it is more economical to manage certain risks internally and set aside assets for claim settlement.

Several State funds accumulate assets and the State itself assumes substantially all risks for the following:

1. Claims of State employees for unemployment compensation benefits (Employment Security Commission);
2. Claims of covered employees for workers' compensation benefits for job-related illnesses or injuries (State Accident Fund);
3. Claims of covered employees for health and dental insurance benefits (Office of Insurance Services); and
4. Claims of covered public employees for long-term disability and group-life insurance benefits (Office of Insurance Services).

Employees elect health coverage through either a health maintenance organization or through the State's self-insured plan. All of the other coverages listed above are through the applicable State self-insured plan except dependent and optional life premiums are remitted to commercial carriers.

The University and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following University assets, activities, and/or events:

1. Theft of, damage to, or destruction of assets;
2. Real property, its contents, and other equipment;
3. Motor vehicles and watercraft (inland marine);
4. Torts;
5. Business interruptions;
6. Natural disasters; and
7. Medical malpractice claims against covered clinics, hospitals, employees, and third- and fourth-year medical students.

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF purchases insurance for aircraft and ocean marine coverage. The IRF's rates are determined actuarially. State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in IRF.

The University and the Authority also purchase a portion of their medical malpractice insurance coverage for healthcare providers through the State's insurance enterprise, the Medical Malpractice Patients' Compensation Fund. The University



and the Authority obtain coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. The University also obtains coverage through a commercial insurer for losses related to aircraft. The University has recorded insurance premium expenditures in the applicable functional expenditure categories of the unrestricted current fund. The University has not transferred the portion of the risk of loss related to insurance policy deductibles and policy limits for all coverages to a State or commercial insurer.

Charleston Memorial Hospital purchases malpractice insurance and general tort liability insurance through the State's Insurance Reserve Fund (IRF) and insures its equipment through the IRF. CMH obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation. CMH provides health and dental benefits for most employees through a program of self-insurance. CMH is responsible for any excess claims over employee contributions. To insure against catastrophic claims, CMH has obtained reinsurance. The specific and aggregate stop loss agreement provides for claims in excess of \$40,000 and is subject to a \$2,500,000 maximum specific stop loss payment per employee lifetime and \$1,000,000 per policy year in the aggregate. Dental claims are limited to \$1,000 per employee per year. CMH has accrued \$60,000 as of June 30, 2001 for incurred but not reported claims and claims payable.

University Medical Associates pays insurance premiums to certain State agencies to cover risks that may occur in normal operations. This includes claims for employees for unemployment compensation benefits. Commercial insurance covers workers' compensation benefits, long-term disability, theft of assets, damage to property, and torts. The insurer's promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

UMA also purchases a portion of its medical malpractice insurance coverage for healthcare providers through the State's insurance enterprise, the Medical Malpractice Patients' Compensation fund and the Joint Underwriters Association. UMA obtains employee fidelity bond insurance coverage through a commercial insurer for all employees for losses arising from theft or misappropriation. UMA insures against malpractice claims under a state maintained insurance fund. The entire premium is paid by the University, with the full cost of physician premiums being reimbursed by UMA. The affiliates are covered by private insurance companies.

UMA has established an employee medical benefit plan to self insure employees which is liable for \$100,000 per individual employee or dependent per plan year. Amounts exceeding this are covered by stop-loss insurance. UMA records an estimated liability for these claims. The claims liability is based on estimates for claims incurred but not reported based on historical experience. Claims incurred but not reported and claims payable at June 30, 2001 amounted to \$606,913.

The following represents the changes in the approximate claims liabilities for self-insured health and dental claims of CMH and UMA for 2001 and 2000:

	<u>CMH</u>	<u>UMA</u>
Liability balance, July 1, 1999	\$ 75,000	\$ 587,459
Claims and changes in estimate	784,403	4,606,175
Claims payments	<u>(725,403)</u>	<u>(4,698,316)</u>
Liability balance, June 30, 2000	134,000	495,318
Claims and changes in estimate	1,027,864	5,183,730
Claims payments	<u>(1,101,864)</u>	<u>(5,072,135)</u>
Liability balance, June 30, 2001	<u>\$ 60,000</u>	<u>\$ 606,913</u>

## 22. RETIREMENT INCENTIVE

Section 59-103-150 of the South Carolina Code of Laws allows the University's Board of Trustees to implement an early retirement plan for its faculty. Two objectives of this law were to help institutions of higher education reallocate resources and effect cost-saving measures. The University implemented such a plan effective January 1, 1990. To be eligible, a person must be a full-time faculty member, at least 55 years old, and have at least 10 years experience at the University in a full-time faculty position. The Board of Trustees has delegated to the President full authority to determine implementation and participation in the Plan. The Plan includes incentive bonus payments for early retirement ranging from 100 percent to 200 percent of a person's final annual salary.

The University recorded expenditures of approximately \$56,500 for lump-sum payments to its retiring faculty under the retirement incentive program in fiscal year 2001. These expenditures are recorded in unrestricted current funds in the applicable functional expenditure categories in which the payroll costs for the respective employees are recorded.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows active members of the South Carolina Retirement System who are eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for a program period of up to five years. The length of the program period must be specified by the employee prior to retirement. Each participant is entitled to be paid for up to 45 days of accumulated unused annual vacation leave upon retirement and again at the end of the program period for annual vacation leave earned during the program period.

The University recorded expenditures of approximately \$806,000 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2001. These expenditures are reported in unrestricted current funds in the applicable functional expenditure categories in which the payroll costs for the respective employees are recorded.

The Authority recorded expenses of approximately \$150,000 for lump-sum vacation leave payments to its employees retiring under TERI in fiscal year 2001.

## 23. INCOME TAXES

The blended component units of University Medical Associates are entities subject to federal and state income taxes (see Note 1). However, as of June 30, 2001, they had cumulative estimated net operating loss carryovers totaling approximately \$37,400,000 which may be offset against future taxable income of the respective companies.

Approximately \$7,600,000 in 2011, \$8,400,000 in 2012, \$10,000,000 in 2013, \$9,500,000 in 2019, \$1,500,000 in 2020, and \$400,000 in 2021 will expire if unused by those years. No tax benefit has been reported in the 2001 financial statements because management believes that it is probable that the carryforward will expire unused. Accordingly, the tax benefit of the loss carryforward has been offset by a valuation allowance of the same amount. The net operating loss carryover is approximately the same for financial statement and income tax purposes.

The MUSC Foundation for Research Development is subject to tax on income from certain activities not directly related to MFRD's tax-exempt purpose. During fiscal year 2001, MFRD incurred unrelated business income tax of \$12,875.

## 24. INTERFUND LIABILITIES AND BORROWINGS

For the most part, the University operates out of one cash account. At fiscal year end, entries are made to report interfund liabilities for deficit cash balances in the State's cash management pool accounts. In addition, during the year, certain interfund borrowings occurred. All of the amounts are payable within one year without interest. At June 30, 2001, there were no interfund liabilities outstanding.

## 25. ACCOUNTING CHANGES AND PRIOR PERIOD ADJUSTMENTS

Accounting principles include not only accounting principles and practices but also the methods of applying them.

Effective July 1, 2000 the University adopted Governmental Accounting Standards Board (GASB) Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, which became effective for periods beginning after June 15, 2000. This Statement establishes accounting and financial reporting guidance about when to report the results of nonexchange transactions involving cash and other financial and capital resources. This results in a change to the University's method of accounting for certain gift and grant revenues. This is a voluntary nonexchange transaction which is recognized when all applicable eligibility requirements have been met and the resources are available. In previous years, grant revenue was recognized when related expenditures were incurred. The University has restated its beginning fund balances as of July 1, 2000, for changes resulting from adoption of Statement No. 33, which are disclosed in the following schedule.

	Fund Balances – June 30, 2000		
	As Previously Reported	Restatement Adjustment	As Restated
Restricted Current Funds	\$ 16,523,424	\$ (690,199)	\$ 15,833,225

## THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

During the year ended June 30, 2001, the University corrected the following errors involving the application of accounting principles for prior years:

The University failed to record prepaid maintenance of \$628,249. As a result, unrestricted current funds expenditures were overstated and prepaid items were understated.

The University failed to record certain accounts payable. As a result, accounts payable were understated and unrestricted current funds expenditures were understated by \$816,059.

The University recorded as a receivable in the agency fund certain amounts that should have been recorded as unrestricted current funds expenditures. As a result, agency fund accounts receivable were overstated and unrestricted current funds expenditures were understated by \$1,265,627.

The University failed to record the disposal of certain assets. As a result, furniture and equipment was overstated and investment in plant expenditures were understated by \$2,037,208.

Errors were made in the recording of certain leased equipment. As a result, equipment was understated by \$516,681; prepaid items in the unrestricted current funds were overstated by \$429,845; and accounts payable in the unrestricted current funds were overstated by \$1,971,551.

The University recorded as assets in the agency fund certain amounts that should have been recorded as unrestricted current fund assets of the Medical Center. As a result, agency fund cash was overstated and unrestricted current fund cash was understated by \$163,320.

For the year ended June 30, 1998, there was an error related to an insurance contract settlement payment of the Medical Center. As a result, patient accounts receivable and other revenue were understated by \$497,001.

Beginning fund balances have been restated to correct these errors. The changes to beginning fund balances as of July 1, 2000, are disclosed in the following table:

	Fund Balances – June 30, 2000		
	As Previously Reported	Restatement Adjustment	As Restated
Unrestricted Current Funds	\$ 53,038,066	\$ 748,589	\$ 53,786,655
Investment in Plant	\$ 479,945,462	\$ (1,520,528)	\$ 478,424,934

MFRD restated certain prior year expenditures that were previously reported as Operations and License Activities in the Supporting Services categories in the Statements of Activities and Functional Expenses as Technology Transfer Activity under Program Services. This has resulted in an increase of \$568,740 in Program Services expenses with a corresponding decrease in Supporting Services expenses for the same amount for the year ended June 30, 2000.

UMA reclassified certain amounts from fiscal year 2000 to conform with the fiscal year 2001 presentation. These reclassifications are disclosed in the following table:

	As Previously Reported	Restatement Adjustment	As Restated
Other operating revenue	\$ 2,125,178	\$ 1,449,531	\$ 3,574,709
Other income	\$ 2,556,605	\$ (1,449,531)	\$ 1,107,074
Accounts payable	\$ 3,643,684	\$ (1,000,000)	\$ 2,643,684
Advances	\$ –	\$ 1,000,000	\$ 1,000,000

Authority Emergency Medicine agreement income of \$1,449,531 was reclassified from other nonoperating revenue to other operating revenue. Blue Cross Blue Shield cash advance of \$1,000,000 was reclassified from accounts payable to advances.

## 26. FUND EQUITY

The components of fund balance of the University's unrestricted current funds at June 30, 2001, are as follows:

University excluding auxiliary enterprises	\$ 12,444,159
Auxiliary enterprises	<u>3,441,254</u>
Total	<u>\$ 15,885,413</u>

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## THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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The components of fund balance of the University's restricted current funds at June 30, 2001, are as follows:

Research	\$ 19,633,045
Scholarships and student aid	77,969
Restricted for college departments and other purposes	<u>4,193,647</u>
Total	<u>\$ 23,904,661</u>

The components of fund balance of the University's endowment and similar funds at June 30, 2001, are as follows:

Endowment - restricted	\$ 894,920
Quasi-endowment - restricted	<u>41,477</u>
Total	<u>\$ 936,397</u>

For the governmental component units, appropriated retained earnings are amounts allocated for specified uses in accordance with the entity's bylaws and by authorization of its board of directors. Generally, reserved retained earnings are amounts related to legally restricted assets required to be held and/or used as specified in debt indentures and resolutions.

The reserved portion of the retained earnings of Medical University Facilities Corporation is restricted for payment of debt service on the Certificates of Participation and the Lease Revenue Bonds under the related covenants. The unappropriated retained earnings deficit results from the manner in which the capital lease on The Strom Thurmond Biomedical Research Center and the related Lease Revenue Bonds were structured. Because of timing differences, MUFC had an unappropriated retained earnings deficit of \$682,013. As lease payments are received from the University, the deficit will be eliminated.

The Medical University Hospital Authority has a deficit retained earnings balance of approximately \$982,000 as of June 30, 2001. The deficit is due to the Authority's practice of closing depreciation expense attributable to contributed fixed assets to retained earnings rather than contributed capital. This fund has an overall positive equity balance of approximately \$141,250,000 at June 30, 2001.

Temporarily restricted net assets of MUSC Foundation for Research Development are available for the conduct of research. At June 30, 2001, MFRD has no permanently restricted net assets.

## 27. RESIDUAL EQUITY TRANSFER

On July 1, 2000, all assets, liabilities, fund balances, and operations of the University's Medical Center were transferred to the Medical University Hospital Authority. This transaction is reported as a residual equity transfer. A summary of the amounts transferred is as follows:

Unrestricted current fund:	
Cash and cash equivalents	\$ 16,787,480
Accounts receivable:	
Patients	103,189,755
Less allowances	(38,226,963)
Medicare and Champus cost reimbursements, net	183,205
Other	83,173
Accrued interest receivable	126,691
Inventories	10,999,852
Due from Charleston Memorial Hospital	3,205,399
Prepaid items	975,790
Accounts payable	(15,093,366)
Accrued payroll and related liabilities	(4,632,630)
Accrued leave and related liabilities	(11,561,063)
Accrued interest payable	(231,087)
Due to other funds	(8,863,185)
Due to University Medical Associates	(3,986,789)
Other liabilities	(245,788)
Notes payable	<u>(9,240,578)</u>
Residual equity transfer	<u>\$ 43,469,896</u>
Unexpended plant fund:	
Cash and cash equivalents	\$ 38,222,857
Accrued interest receivable	509,997
Construction in progress	2,880,789
Accounts payable	(813,793)
Retainages payable	(340,121)
Bonds payable	<u>(53,035,000)</u>
Residual equity transfer	<u>(12,575,271)</u>

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## THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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Retirement of indebtedness fund:	
Cash and cash equivalents	24,504,914
Accrued interest receivable	116,854
Accrued interest payable	<u>(3,348,929)</u>
Residual equity transfer	<u>21,272,839</u>
Investment in plant:	
Land and land improvements	3,376,718
Buildings and leasehold improvements	169,534,853
Furniture and equipment	99,636,950
Computer Software	1,176,822
Accumulated amortization	(235,364)
Obligations under capital lease	(432,414)
Notes payable	(8,699,043)
Bonds payable	<u>(56,000,000)</u>
Residual equity transfer	<u>208,358,522</u>
Total plant funds residual equity transfer	<u>\$ 217,056,090</u>

The property and equipment transferred was recorded by the Authority net of accumulated depreciation of \$130,169,694. The retained earnings of Charleston Memorial Hospital of \$1,870,111 was also transferred to the Authority. Due to a large bonds payable liability in the unexpended plant fund, the balance shown for the transfer out of that fund is a positive amount. The residual equity transfer is recorded on the balance sheet as contributed capital.

### 28. PLEDGE

Health Sciences Foundation acquired the Rutledge Tower (formerly the St. Francis facilities) in 1993 and these properties are leased to University Medical Associates. During April, 1996, HSF's board of directors passed a resolution to transfer the title on the St. Francis Hospital and associated facilities to the University at the end of the lease term which is the later of (1) June 30, 2024, or (2) the date on which all principal of and premium, if any, and interest on the direct note obligations has been paid. This was considered a contribution by HSF, and was recorded by HSF as a contribution payable and contribution expense in 1996 at the value of the land, \$17,852,400. The buildings and equipment do not have a residual value at the end of the lease.

The pledge has not been recorded by the University because the net realizable value is not readily determinable and because of the uncertainties created by the fact that the transfer will not be made until the end of the lease term.

### 29. COMMITMENTS

During the year ended June 30, 2001, the MUSC Foundation for Research Development entered into contractual agreements related to program activities. Subcontracts between MFRD and the University, as well as various other universities, hospitals, and service providers have been executed for personnel and other resources required to accomplish the work scope of prime agreements between MFRD and external sponsors. These subcontracts may be terminated upon termination of the prime contract.

On May 22, 2001, MFRD entered into a contract with Carolina Services, Inc. for construction and installation of a hypertension/diabetes clinical environment in the Union Heights Clinic, a project sponsored by the University's Healthy South Carolina Initiative Program. As of June 30, 2001, the remaining liability for the contract was \$38,720, which is payable upon completion of the installation.

### 30. SUBSEQUENT EVENTS

In February, 2001, the Authority Board of Trustees approved the purchase of Charleston Memorial Hospital's land, buildings, and equipment from Charleston County, SC. The purchases were executed on June 28, 2001, in the amount of \$12,881,827 with an effective date of July 1, 2001. The Authority executed a twenty-year promissory note at an annual interest rate of 5.1 percent.

The University Board of Trustees at its October, 2001 meeting approved the issuance of \$7,250,000 in State Institution Bonds to finance the renovation of certain of the University's College of Medicine facilities and undertake a water intrusion project at the Storm Eye Institute. Also approved at this Board meeting were changes to the MFRD's bylaws. The modifications included changes in the number and composition of the MFRD's Board of Directors and changes in the University Board of Trustees approval authority over MFRD's ability to issue debt. The University will evaluate these

changes to determine if MFRD will be a component unit of the University for fiscal year 2002.

In an agreement dated July 1, 2001, the Pharmaceutical Education and Development Foundation of the Medical University of South Carolina sold assets with a basis of approximately \$2,340,000, transferred liabilities with a basis of approximately \$1,050,000 and transferred equipment operating leases to aaiPharma, Inc. PEDF sold substantially all of its assets, other than the building, for \$875,000 base price and will be paid an amount of up to \$5,000,000 over the next five years based on annual revenues of \$5,600,000. PEDF will not receive any additional amount annually if annual revenues are less than \$5,100,000. PEDF will receive an additional 4% of any annual revenues over \$8,000,000. PEDF was also paid approximately \$60,000, half of the amount necessary to fully vest its employees in PEDF's retirement plan. Both aaiPharma, Inc. and PEDF placed \$125,000 each into escrow, which will be distributed based on the audited financial statement amounts. Proceeds from the sale of PEDF's assets will be used to pay related party amounts owed to Health Sciences Foundation, UMA, and the University over the next five years. As the exact amount of the sale proceeds is based on the facility's performance and the related parties hope to collect the entire amount of the payables, PEDF has not reduced the payable as of June 30, 2001. HSF has discounted the amount they expect to receive to \$3,603,052 and written off the remaining loans and advances made to PEDF. In July, 2001, HSF purchased the facility housing PEDF's operations and began leasing it to aaiPharma, Inc., which relieved PEDF of its building lease, deferred lease and deferred interest obligations of \$6,995,980.

### **31. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments, and Statement No. 35 Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities. These new accounting and reporting standards will impact the revenue and expenditure recognition and assets, liabilities, and fund equity reporting for the fiscal year beginning July 1, 2001. The financial statements for the University and its governmental component units will be reformatted and some beginning balances will be restated for the fiscal year ending June 30, 2002.

## Statistical Section

## **ACCREDITATION STATEMENT**

The Medical University of South Carolina is accredited by the Southern Association of Colleges and Universities (SACS). In addition, the various schools and programs are accredited by their respective professional agencies.



# THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

## CURRENT FUNDS REVENUES BY SOURCE LAST TEN FISCAL YEARS (DOLLARS IN THOUSANDS)

	2001	2000	1999	1998
Student tuition and fees	\$ 16,389	\$ 15,700	\$ 14,278	\$ 11,402
State appropriations	125,461	140,541	135,160	130,205
County appropriations (b)				
Federal grants and contracts	69,467	57,791	51,813	40,594
State and private gifts, grants and contracts (c)	33,158	28,970	31,408	21,886
Sales of services to Medical University Hospital Authority (a)	57,068	-	-	-
Sales and services of educational departments (c)	9,834	9,056	8,756	7,557
Sales and services of hospitals (a)(d)	-	446,545	405,506	376,935
Sales and services of auxiliary enterprises	4,141	3,496	3,318	2,829
Other Academic Division revenues (b)	9,747	12,427	14,315	19,262
Other hospital revenues (a)	-	5,949	6,792	11,545
<b>Total revenues</b>	<b>\$ 325,265</b>	<b>\$ 720,475</b>	<b>\$ 671,346</b>	<b>\$ 622,215</b>

- Notes: (a) On July 1, 2000, the Medical Center began operating as the Medical University Hospital Authority, a separate state agency. As a result, beginning fiscal year 2000-01 revenues and expenses of the Medical Center are no longer included in the University's current funds. Services previously provided by the University to the Medical Center were treated as interdepartmental transactions, but as of July 1, 2000 are reported as Sales of services to the Medical University Hospital Authority.
- (b) For the years ended June 30, 1991 through 1993, the revenues and expenses of Charleston Memorial Hospital were included in the current funds. As a result of implementing GASB 14 in fiscal year 1993-94, only the University's management fee income from Charleston Memorial Hospital is included in the current funds. For fiscal years 1993-94 through 1995-96, the management fee income is included under other hospital revenues and for fiscal year 1996-97 through 1998-99 under other Academic Division revenues.
- (c) The physicians' private practice plan was reorganized into the University Medical Associates (UMA) beginning on January 1, 1992. Prior to January 1, 1992, payments received from the physician's private practice plan were classified as sales and services of educational departments. Payments received between January 1, 1992 and June 30, 1993 were classified as private gifts, grants and contracts. Payments received after June 30, 1993 are classified as nonmandatory transfers since UMA is a component unit.
- (d) Sales and services of hospitals include the disproportionate share match for the MUSC Medical Center for all years presented through fiscal year 1999-00 and for Charleston Memorial Hospital for fiscal years 1989-90 through 1992-93.

Source: The above information was compiled using the audited basic financial statements of The Medical University of South Carolina for the years ended June 30, 1992 through 2001.

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THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

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For the Year Ended June 30,					
1997	1996	1995	1994	1993	1992
\$ 10,220	\$ 9,093	\$ 9,952	\$ 9,005	\$ 7,759	\$ 6,216
124,137	117,920	138,030	132,662	108,799	109,843
				4,157	4,048
41,129	44,126	40,749	31,455	25,497	20,764
22,764	17,421	16,585	14,632	22,648	21,944
-	-	-	-	-	-
7,195	8,517	7,966	6,751	6,013	5,159
379,583	361,527	398,924	436,074	343,489	315,162
2,534	2,086	1,830	1,816	1,799	1,672
16,658	7,874	6,896	8,021	6,868	4,073
14,678	19,736	42,977	9,973	8,402	6,694
<u>\$ 618,898</u>	<u>\$ 588,300</u>	<u>\$ 663,909</u>	<u>\$ 650,389</u>	<u>\$ 535,431</u>	<u>\$ 495,575</u>

THE MEDICAL UNIVERSITY OF SOUTH CAROLINA

**CURRENT FUNDS EXPENDITURES BY FUNCTION AND TRANSFERS**  
**LAST TEN FISCAL YEARS**  
(DOLLARS IN THOUSANDS)

	2001	2000	1999	1998
Instruction (b) (c)	\$ 119,695	\$ 161,065	\$ 153,742	\$ 120,932
Research	83,800	75,007	67,123	55,256
Public service	21,849	22,983	24,225	21,927
Academic support	30,002	27,707	24,153	24,254
Student services	6,673	7,186	6,206	5,766
Institutional support (d)	29,298	25,370	22,019	21,013
Operation and maintenance of plant (d)	31,382	15,011	16,928	10,816
Scholarships and fellowships	2,865	1,925	1,915	1,766
Hospitals (a) (e)	-	410,321	399,588	375,658
Auxiliary enterprises	2,463	1,856	1,593	1,169
Mandatory transfers:				
Principal and interest	709	12,368	13,485	13,485
Loan funds matching grant	112	77	104	118
Endowment income transferred to principal	22	18	17	18
Nonmandatory transfers	(7,992)	(2,190)	12,245	(3,633)
Other	445	5,102	682	347
(Excess) deficiency of restricted receipts over revenue (f)	(9,698)	116	4,212	(953)
<b>Total expenditures and transfers</b>	<b>\$ 311,625</b>	<b>\$ 763,922</b>	<b>\$ 748,237</b>	<b>\$ 647,939</b>

- Note: (a) As a result of the Medical Center becoming a separate state agency on July 1, 2000, their expenses are no longer included in the University's current funds expenditures.
- (b) Expenditures under the Ambulatory Care contract were included under Hospitals' expenditures for fiscal years 1991-92 through 1997-98 and under instruction expenditures for fiscal years 1998-99 through 1999-00. Since the Medical Center became a separate state agency, the expenses of the Ambulatory Care contract are reported by this new agency, the Medical University Hospital Authority.
- (c) The disproportionate share match for AHEC is classified as an instruction expenditure on the audited basic financial statements for years ended June 30, 1993 through 1999. In prior years, the financial statements showed this as a contra revenue account. The AHEC disproportionate share match is classified as an instruction expenditure on the above schedule for all years presented.
- (d) For the years ended June 30, 1992 through 1999, safety and security expenditures were reported as institutional support on the audited basic financial statements. As a result of adopting NACUBO Advisory Report 99-6 in fiscal year 1999-00, safety and security expenditures are reported as operation and maintenance of plant. Safety and security expenditures are classified as operation and maintenance on the above schedule for fiscal year 1998-99 forward.
- (e) For the years ended June 30, 1992 through 1993, the revenues and expenses of Charleston Memorial Hospital were included in the current funds. As a result of implementing GASB 14 in fiscal year 1993-94, only the University's management fee income from Charleston Memorial Hospital is included in the current funds revenues.
- (f) The University received a \$21,225,000 grant from the State of South Carolina Department of Health and Human Services during fiscal year 1996-97. Only \$3,500,000 of this grant was recognized as revenue in 1997.

Source: The above information was compiled using the audited basic financial statements of The Medical University of South Carolina for the years ended June 30, 1992 through 2001.

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**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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For the Year Ended June 30,					
<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
\$ 106,754	\$ 100,692	\$ 97,959	\$ 91,939	\$ 88,261	\$ 82,258
52,830	54,064	48,882	41,754	33,001	26,553
15,469	11,978	12,024	9,812	5,195	4,399
18,169	11,950	11,168	10,740	10,055	9,826
4,981	4,319	4,053	3,518	3,151	3,122
12,127	14,221	9,553	12,333	11,599	9,458
13,525	13,692	12,483	12,763	11,671	10,776
1,296	1,056	1,044	1,092	907	773
347,644	329,854	304,351	330,070	351,409	317,440
974	953	779	803	730	577
				-	-
13,501	13,435	14,701	13,628	15,549	14,066
74	124	118	125	24	15
16	15	14			
12,422	(3,650)	(3,266)	(12,257)	140	1,370
129	142	80,147	112,604	179	147
				-	-
(17,640)	(405)	(300)	(1,135)	(1,578)	302
<u>\$ 582,271</u>	<u>\$ 552,440</u>	<u>\$ 593,710</u>	<u>\$ 627,789</u>	<u>\$ 530,293</u>	<u>\$ 481,082</u>

## REVENUE BOND DEBT SERVICE COVERAGE

### LAST TEN FISCAL YEARS

(DOLLARS IN THOUSANDS)

	2001	2000	1999	1998
<b>NET PLEDGED REVENUES:</b>				
Parking revenue	\$ 3,981	\$ 3,192	\$ 3,137	\$ 2,636
Related Parking Expense	(2,463)	(1,856)	(1,592)	(1,169)
<b>Net pledged revenues available for debt service</b>	<b>\$ 1,518</b>	<b>\$ 1,336</b>	<b>\$ 1,545</b>	<b>\$ 1,467</b>
<b>REVENUE BOND DEBT SERVICE:</b>				
Parking debt service requirements	\$ 693	\$ 694	\$ 693	\$ 700
<b>Revenue bond debt service coverage</b>	<b>2.2</b>	<b>1.9</b>	<b>2.2</b>	<b>2.1</b>

Source: Financial Reporting Department

## PERCENTAGE OF CURRENT FUNDS EXPENDITURES REQUIRED FOR DEBT SERVICE

### LAST TEN FISCAL YEARS

(DOLLARS IN THOUSANDS)

	2001	2000	1999	1998
Debt service requirements	\$ 4,172	\$ 16,402	\$ 14,687	\$ 14,402
Current funds expenditures	\$ 258,194	\$ 694,143	\$ 672,573	\$ 605,871
<b>Percentage of current funds expenditures required for debt service</b>	<b>1.6%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>2.4%</b>

Note: Debt service requirements are those amounts which matured in each fiscal year for all bonded debt. Current funds expenditures include only unrestricted current funds expenditures and mandatory transfers.

Source: The above information was compiled using the audited basic financial statements of The Medical University of South Carolina for the years ended June 30, 1992 through 2001.

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**THE MEDICAL UNIVERSITY OF SOUTH CAROLINA**

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For the Year Ended June 30,					
<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
\$ 2,357	\$ 1,917	\$ 1,658	\$ 1,647	\$ 1,585	\$ 1,512
<u>(951)</u>	<u>(878)</u>	<u>(697)</u>	<u>(704)</u>	<u>(484)</u>	<u>(505)</u>
<b><u>\$ 1,406</u></b>	<b><u>\$ 1,039</u></b>	<b><u>\$ 961</u></b>	<b><u>\$ 943</u></b>	<b><u>\$ 1,101</u></b>	<b><u>\$ 1,007</u></b>
<u>\$ 695</u>	<u>\$ 697</u>	<u>\$ 698</u>	<u>\$ 702</u>	<u>\$ 704</u>	<u>\$ 700</u>
2.0	1.5	1.4	1.3	1.6	1.4

For the Year Ended June 30,					
<b>1997</b>	<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
\$ 14,429	\$ 14,111	\$ 14,103	\$ 13,451	\$ 12,073	\$ 11,668
\$ 541,179	\$ 511,991	\$ 475,342	\$ 494,710	\$ 501,078	\$ 455,480
2.7%	2.8%	3.0%	2.7%	2.4%	2.6%

**ENROLLMENT STATISTICS**  
**LAST TEN ACADEMIC YEARS**

	2000	1999	1998	1997
<b>LEVEL</b>				
Undergraduate	409	422	505	596
Graduate	944	993	931	860
First Professional	1004	968	919	870
<b>STATUS</b>				
Full-Time	2055	1792	1949	1895
Part-Time	302	591	406	431
<b>ORIGIN</b>				
In State	1979	1966	1946	1932
Out of State	341	387	369	340
Foreign	37	30	40	54
<b>RACE</b>				
Caucasian	1873	1873	1892	1888
African American	273	255	245	201
Asian	91	108	99	86
Hispanic	20	24	21	26
Other	100	123	98	125
<b>GENDER</b>				
Women	1488	1523	1454	1383
Men	869	860	901	943
<b>COLLEGES</b>				
Medicine	580	580	576	584
Pharmacy	210	176	185	181
Nursing	372	399	408	407
Graduate Studies	178	221	225	222
Dental Medicine	214	212	209	204
Health Professions	747	726	705	617
Non-Degree Seeking	56	69	47	111
<b>Total enrollment</b>	<b>2357</b>	<b>2383</b>	<b>2355</b>	<b>2326</b>

Source: Office of Enrollment Services

<b>Fall Enrollments</b>					
<b>1996</b>	<b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>	<b>1991</b>
682	918	904	1010	995	1072
807	562	574	525	527	440
849	799	792	775	769	771
1922	1887	1848	1786	1792	1667
416	392	422	524	499	616
1919	1869	1984	1840	1817	1841
360	345	207	379	376	356
59	65	79	91	98	86
1926	1892	1912	1990	1975	1974
180	173	154	138	132	144
81	78	74	58	56	52
22	23	21	22	24	18
129	113	109	102	104	95
1325	1317	1344	1407	1420	1426
1013	962	926	903	871	857
588	572	572	550	544	548
212	219	253	257	260	249
410	399	383	399	435	429
257	220	182	178	166	143
199	190	182	184	177	179
573	608	639	678	673	674
99	71	59	64	36	61
<b>2338</b>	<b>2279</b>	<b>2270</b>	<b>2310</b>	<b>2291</b>	<b>2283</b>



**EMPLOYEE STATISTICS**  
**LAST TEN FISCAL YEARS**

	2001	2000	1999	1998
<b>EMPLOYEES</b>				
Permanent Full-time and Part-time Employees				
Full-time classified	1,646	4,045	4,386	4,238
Part-time classified	45	730	714	598
Full-time unclassified	961	1,028	1,008	943
Part-time unclassified	209	199	199	178
Total	2,861	6,002	6,307	5,957
Other Categories				
Residents	544	560	540	534
Pre/post doctoral fellows	160	167	146	113
Externs	-	-	-	1
Temporary	738	1,411	1,651	1,469
Contractual	-	-	-	-
Dual employment-other agencies	20	29	21	25
Total	1,462	2,167	2,358	2,142
<b>Grand Total Employees</b>	<b>(a) 4,323</b>	<b>8,169</b>	<b>8,665</b>	<b>8,099</b>
<b>POSITIONS</b>				
Authorized FTE positions				
State	1,347	1,600	1,600	1,600
Federal	349	348	348	313
Other	1,720	5,016	4,640	4,360
<b>Total Authorized FTE Positions</b>	<b>3,416</b>	<b>6,964</b>	<b>6,588</b>	<b>6,273</b>

Note: (a) The total number of employees at June 30, 2001 was 4,251.  
(b) For fiscal year 2000-01, the reduction in total number of employees and total authorized FTE positions is a result of the Medical Center division becoming a separate entity.

Source: Office of Human Resources Management

<b>1997</b>	<b>1996</b>	<i>At January 1,</i> <b>1995</b>	<b>1994</b>	<b>1993</b>	<b>1992</b>
4,130	4,255	4,282	4,821	4,564	4,300
592	472	421	394	465	352
904	896	907	913	823	759
179	172	156	153	152	142
<u>5,805</u>	<u>5,795</u>	<u>5,766</u>	<u>6,281</u>	<u>6,004</u>	<u>5,553</u>
540	550	552	547	519	494
106	102	99	102	89	80
-	-	-	1	15	4
1,164	1,124	1,084	1,324	1,305	1,065
-	-	-	1	5	10
17	16	30	21	20	25
<u>1,827</u>	<u>1,792</u>	<u>1,765</u>	<u>1,996</u>	<u>1,953</u>	<u>1,678</u>
<u><b>7,632</b></u>	<u><b>7,587</b></u>	<u><b>7,531</b></u>	<u><b>8,277</b></u>	<u><b>7,957</b></u>	<u><b>7,231</b></u>
1,604	1,598	1,631	1,764	1,977	1,977
364	418	426	385	303	226
4,163	5,221	5,244	5,007	4,509	3,957
<u><b>6,131</b></u>	<u><b>7,237</b></u>	<u><b>7,301</b></u>	<u><b>7,156</b></u>	<u><b>6,789</b></u>	<u><b>6,160</b></u>